

RESOLUTION (EU) 2023/1969 OF THE EUROPEAN PARLIAMENT**of 10 May 2023****with observations forming an integral part of the decision on discharge in respect of the implementation of the budget of the Europe's Rail Joint Undertaking (before 30 November 2021 the Shift2Rail Joint Undertaking) for the financial year 2021**

THE EUROPEAN PARLIAMENT,

- having regard to its decision on discharge in respect of the implementation of the budget of the Europe's Rail Joint Undertaking for the financial year 2021,
 - 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 (A9-0090/2023),
- A. whereas in November 2021 the Council adopted Regulation (EU) 2021/2085 (the Single Basic Act) ⁽¹⁾, setting up the Europe's Rail Joint Undertaking to replace Shift2Rail Joint Undertaking under the Horizon Europe programme for the period ending on 31 December 2031;
- B. whereas the Joint Undertaking is a public-private partnership dedicated to manage and coordinate mission-oriented research and innovation activities for a major transformation in rail systems in Europe; whereas the main objectives of the Joint Undertaking include to contribute towards the achievement of the Single European Railway Area, to ensure a fast transition to more attractive, user-friendly, competitive, affordable, easy to maintain, efficient and sustainable European rail system, integrated into the wider mobility system and to support the development of a strong and globally competitive European rail industry;
- C. 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 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;
- D. whereas the Financial Regulation and high management standards have to be respected by all the Union's institutions;

General

1. Welcomes the fact that the annual accounts present fairly, in all material respects, the financial position of the Joint Undertaking on 31 December 2021, 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; highlights furthermore that the underlying transactions to the accounts are, in all material respects, legal and regular;
2. Acknowledges that Horizon Europe envisages ambitious goals for the Joint Undertaking, that can only be achieved if effective solutions that address the weaknesses in the internal control systems and prepare for the future challenges arising from increased responsibilities, e.g. in the area of human resources management and planning, are designed and implemented; points out, in this context, that particularly complicated and burdensome calculations and reporting requirements represent a significant risk of error and calls therefore, to explore the possibilities of simplifications wherever possible and compatible with the existing legal framework;

⁽¹⁾ 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).

3. Notes that, for the period set in the Regulation (EU) 2021/2085, the Union financial contribution to the Joint Undertaking, including EEA appropriations, to cover administrative costs and operational costs shall be 'up to EUR 600 million, including at least EUR 50 million for the system pillar and up to EUR 24 million for administrative costs'; notes the members of the Joint Undertaking other than the Union shall make or arrange for their constituent or affiliated entities to make a total contribution of at least EUR 600 million, including up to EUR 24 million for administrative costs;
4. Notes that there is no harmonised definition of 'administrative costs' among the Joint Undertakings, a term which is the basis for calculating the financial contributions of its members and a precondition for the purpose of comparable figures; with this in mind calls for common guidelines for all Joint Undertakings so that they are able to take a harmonised approach for the classification of certain administrative cost expenditure categories, such as expenditure for consultations, studies, analysis, evaluations, and technical assistance;
5. Recalls that in order to achieve climate neutrality, a substantial part of the 75 % of inland freight carried today by road should shift onto rail and inland waterways; notes that automated and connected multimodal mobility will play an increasing role, together with smart traffic management systems enabled by digitalisation;
6. Welcomes the efforts of the Joint Undertaking, based on its replies to the European Parliament's discharge of 2020, to further develop synergies between the new partnership and existing funding mechanisms of the Union, including projects funded 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 InvestEU; notes that these efforts include activities planned to promote potential links with other Union programmes, work with Member States in the States Representatives Group, and the setting up of a Deployment Group to support the identification and alignment of deployment and investment plans with other Union funding instruments; underlines the importance of continuing this work in order to achieve a more sustainable, reliable and attractive railway system;
7. Salutes the new Sustainable and Smart Mobility Strategy of the Commission, launched in December 2020, which includes more concrete milestones for the railway sector to enhance a smart and sustainable future; notes that the Action Plan of 82 initiatives lays the foundation for how the EU transport system can achieve its green and digital transformation and become more resilient to future crises;
8. Highlights that the Horizon Europe programme should contribute to an increase in high-speed rail traffic of 50 % by 2030; stresses that the scheduled collective travel of under 500 km should be carbon neutral within the Union, automated mobility should be deployed at large scale and by 2050 rail freight traffic should double; recalls that high-speed rail traffic should triple and the multimodal Trans-European Transport Network (TEN-T) be equipped for sustainable and smart transport with high speed connectivity should be operational for the core network by 2030; stresses that a full deployment of ERTMS by 2030 is a matter of highest priority;
9. Notes that digital transformation can improve the ecosystems related to mobility and transport; notes that digitalisation can improve environmental and cost performance and simultaneously increase safety levels contributing to a higher quality of life; calls for more advanced levels of automation, faster and more reliable connectivity and IT enabled profound transformation of the management of mobility service; believes that the public could also benefit from fast internet connectivity for passengers on most stations and lines, user-oriented telematics and facilitated multi-modality;
10. Welcomes the commitment of the Joint Undertaking to facilitate research and innovation activities to deliver an integrated European railway network by design, eliminating barriers to interoperability and delivering smart, sustainable, and resilient rail system to ensure a harmonised approach to the evolution of the Single European Rail Area so as to ensure connectivity throughout the Union; highlights the importance of supporting the Joint Undertaking given rail's advantages in terms of environmental performance and safety;

11. Congratulates the Joint Undertaking for its continued, active reporting on the Joint Undertaking's contributions to the United Nation's Sustainable Development Goals, as well as its contribution to the goals outlined in the Commission's Sustainable and Smart Mobility Strategy and the Digital Decade, thereby maximizing its potential alignment with the Union strategic goals;
12. Underlines the importance of the cooperation of the Joint Undertaking with the European Agency for Railways in order to ensure interoperability for the developed projects;
13. Notes that the Europe's Rail Joint Undertaking officially started on 30 November 2021;

Budget and financial management

14. Underlines that the 2021 Joint Undertaking budget does not include any revenue or commitment/payment appropriations in relation with Joint Undertaking's resources coming from Horizon Europe or its private members and that it consists only of appropriations related to Shift2Rail Joint Undertaking and Shift2Rail Joint Undertaking members;
15. Notes that in 2021, the Joint Undertaking budget, as finally adopted, including unused appropriations of previous years, which the Joint Undertaking re-entered in the budget of the current year, assigned revenues and reallocations to the next year, amounted to EUR 13,625 million (EUR 84,1 million in 2020) in commitment appropriations and EUR 68,440 million (EUR 75,8 million in 2020) in terms of payment appropriations;
16. Welcomes the fact that, at the year-end 2021, the Joint Undertaking had implemented 100 % of its commitment appropriations made available in its active budget, which include staff and administrative expenditure and that the payment appropriations were implemented up to 85 % of the active funds; notes that the implementation when compared to the full Joint Undertaking budget, including unused appropriations not required in current year, was 100 % in commitment and 63 % in payment appropriations;
17. Notes that, at the end of 2021, the private members contributed a total of validated EUR 189,6 million, comprising of EUR 10,5 million in cash, EUR 179,1 million in validated in-kind contributions, and additionally a total in-kind contributions to additional activities of EUR 208,8 million, compared to the Union total cash contribution of EUR 339,2 million;
18. Notes that, in April 2021, the Joint Undertaking launched a final call for the Horizon 2020 programme; notes that, with this call, at the end of 2021, the Joint Undertaking had almost committed EUR 385,5 million of the maximum EU contribution for signed Horizon 2020 grant agreements, out of which, around EUR 96,4 million (25 %) remains to be paid in the coming years; notes, moreover, that the private members had legally committed to provide 'in-kind' contributions of EUR 572,6 million;
19. Highlights that the Joint Undertaking implemented 100 % of its commitment budget available for Horizon 2020 projects; notes that the implementation rate for the Joint Undertaking's 2021 operational payment budget available, including operational unused and reallocated appropriations, fell to 61 % (2020: 76 %); is aware that this situation was mainly caused by the poor quality of the beneficiaries' technical reports or the need to request from the beneficiaries, additional evidence confirming the achievement of project results; calls on the Joint Undertaking to explore any additional means of facilitating the reporting rules for achievements of project results in order to avoid delays in the future; notes, moreover, that most of the Joint Undertaking's payment are lump-sums paid for project work packages that have been properly implemented by multiple beneficiaries; notes, therefore, that the delay of a single beneficiary affects the payment of the whole lump-sum amount related to the work package;
20. Notes that the Joint Undertaking successfully made more than 70 payments related to operational tenders and grant agreements for a total amount of EUR 39,3 million; notes that the Joint Undertaking highlighted to the governing board the importance of the quality of the beneficiaries' reporting and the need for beneficiaries and/or contractors to comply with deadlines and that it informed the governing board in November 2021 that, due to the beneficiaries'

delays in the submission of payment requests and underlying documents, payment appropriations of around EUR 17,5 million would remain unused at the year-end; notes, moreover, that the Joint Undertaking had to transfer this amount to the unused appropriations in order to be re-inscribed into the payment appropriations for 2022; notes that, in the Joint Undertaking's view, with this reallocation it achieved an implementation rate for operational payments (operational expenditure) of 84 %;

Performance

21. Welcomes that, during 2021, the Joint Undertaking has further progressed in delivering the Shift2Rail Programme, although operational activities have been affected by the COVID-19 pandemic, further delaying the programme outputs of about additional 6 months compared to 2020 delays, in particular due to the increased number of demonstration activities on-site that were active in 2021; is pleased to note that the internal control system in place has ensured effective and efficient sound financial management;
22. Notes that, in 2021, the Joint Undertaking awarded and signed 2 grants for a total value of EUR 2,34 million, in the fields of 'research and innovation impact and benefits to make rail attractive for stakeholders' and 'digital automated coupler innovation for the European Delivery Programme';
23. Highlights that, by the end of 2021, the Shift2Rail Programme reached pivotal milestones in term of programme implementation with almost all Shift2Rail Joint Undertaking resources being committed for the programme activities and that all planned innovative Programme/Cross Cutting Activities related activities were running in granted projects; appreciates that, on average, almost 75 % of the programme has been realised in view of reaching the technology readiness level 6/7 ⁽²⁾ operational demonstrations planned for conclusion during 2023; notes that, in total, it is estimated that the total value of the activities performed in 2021 amounts to EUR 123,5 million, of which EUR 113,6 million delivered by the members other than the Union;
24. Notes that, during 2021, the Joint Undertaking assessed its research and innovation activities through a third control gate exercise; notes that this exercise took into account the deliverables and reports submitted in the context of the annual review of the active projects coordinated by the Shift2Rail Joint Undertaking other member (Union and the associated members). The Joint Undertaking also ensured through this process that the recommendations made during the previous control gate assessment had been properly applied; notes that the result overall is that the programme benefited from such feedback, built upon also external expertise;

Staff and procurement

25. Notes that, due to ongoing/pending recruitments, on 31 December 2021 there were 19 staff members including 1 seconded national expert available; notes that according to the Joint Undertaking staff establishment plan it should be 23 posts as at year-end 2021;
26. Notes that, due to the launch of the new Europe's Rail Joint Undertaking as from 30 November 2021, the staff establishment plan remained the one adopted in the context of the Shift2Rail Joint Undertaking; notes that the governing board adopted the new staff establishment plan only on 1 March 2022;
27. Notes, from the annual activity report, that the staff expenditure was mainly used for the salaries of the Joint Undertaking staff; notes, moreover, that the Joint Undertaking also made use of external support, to fill in gaps during the recruitment process following from staff turnover and to cope with the important workload on the Joint Undertaking activities;

⁽²⁾ Technology Readiness Level reaching at least 6 – technology demonstrated in relevant environment.

28. Notes with concern that the average annual rate of interim staff remained high, representing 18 % of statutory staff; recalls that the high level of contractual staff tends to increase significantly the Joint Undertaking's staff turnover rate and further destabilises the staffing situation; emphasises, moreover, that the use of interim staff should remain a temporary solution or it could negatively affect the Joint Undertaking's overall performance, such as the retention of key competences, unclear accountability channels, possible judicial disputes and lower staff efficiency; reminds that the Joint Undertaking should develop a formalised model or guidance on how to estimate staff needs (including essential competences), with the objective of optimising the use of staff resources;
29. Regrets that, in 2021, the staff turnover continued to be high with some staff members and one seconded national expert leaving the Joint Undertaking; notes that this was attributable, besides other aspects, to the fact that other Union Joint Undertakings are in the position to offer temporary agent posts instead of contractual agent posts; calls for increased efforts in human resources to minimise staff turnover;
30. Welcomes the fact that, as it was the case already in 2020, the Joint Undertaking continued in 2021 to follow the EC approach in response to the COVID-19 pandemic by implementing special measures designed to protect staff; notes that, in particular, this was ensured by applying teleworking arrangements, and, when working onsite, by decreasing physical contacts between colleagues and utilising protective measures; is pleased that the Joint Undertaking strived to tackle the negative effects of the COVID-19 pandemic on the staff's mental health by introducing already in 2020 a wellbeing programme;
31. Notes, from the annual activity report 2021, in terms of gender balance, that the Joint Undertaking has a lower percentage of women in the governing board than in the previous year, namely 10 % and 13 % respectively, taking into account the alternating board members, with the percentage of women represented in the representatives group and in the scientific committee being 33 %, as in 2019 and 2020; regrets that these numbers have decreased or stagnated compared to previous years and calls for increased efforts in terms of gender balance;
32. Notes that, with regard to the implementation of procurement activities, the Joint Undertaking has complied with the principles of the Financial Regulation and the guidance provided in the European Commission Procurement Vademecum; notes that this resulted in the implementation of activities obtaining the best value for money; the values established for the different procurement procedures, which are below any materiality level considering the total value of the research and innovation activities and the programme, result from the collective knowledge of involved staff and their experience in previous private and public organizations;
33. Notes, following the observations of the Court of Auditors (the 'Court'), that the Joint Undertaking agrees to pay its employer's pension contributions in line with the calculation to be provided by the Commission's services, once legal aspects are confirmed and calls on the Commission to take steps to avoid similar issues in the future; calls on the Joint Undertaking not to wait for the final calculation of outstanding contributions, but to consider this obligation when planning its future budget e.g. through a corresponding accrual for pension contributions;
34. Congratulates the Joint Undertaking for the definition of key goals to strengthen the role of rail in the transport system in its multi-annual action programme, in order to maximise its contribution to reaching the goals of the European Green Deal;
35. Commends, for the year 2021, the continued supervision by the programme office of the implementation of 105 projects and operational contracts of the Shift2Rail Programme, awarded and signed since 2016, for an estimated research and innovation total value of EUR 805,1 million;
36. Notes that the Joint Undertaking played an active role for the visibility of the sector during the Year of Rail 2021;
37. Commends the Joint Undertaking continued reporting, since 2018, on its contribution to the attainment of the United Nation's Sustainable Development Goals;

38. Notes the continued effect of the COVID-19 pandemic on the activities of the Joint Undertaking, its predecessor, and the rail sector in general and the resulting further delays in some of the programme outputs, as reported in the Joint Undertaking's annual activity report; calls attention to the fact underlined by the Joint Undertaking, that the COVID-19 pandemic will continue to affect certain operations in the rail sector even after its most severe effects are receding; congratulates and encourages, therefore, the Joint Undertaking to continue the detailed risk analysis and mitigation plans that have been carried out by its programme team and project coordinators since the onset of the COVID-19 pandemic;

Internal audit

39. Notes that the Commission's internal audit service confirmed that in 2021, there was no impairment to individual objectivity, in particular through conflicts of interest, scope limitations, restrictions on access to records, personnel, and properties, or resource limitations;
40. Notes that, following its risk assessment performed at the Joint Undertaking during 2020, the internal auditor drew up the strategic internal audit plan for 2021-2023; notes that in Q4 2021 the Joint Undertaking provided the internal audit service with an update on the internal and external developments having influence on its business, as well as with its updated version of the risk register; notes that the internal audit service will take this input into account for the preparation of its planning of the audit work for 2022 and for the establishment of the next in-depth risk-assessment and strategic internal audit plan of Joint Undertaking;
41. Notes that, in 2021, internal audit plan launched an 'Audit on H2020 grant implementation and closing' with the objective of this audit is to assess the adequacy of the design and the efficiency and effectiveness of the internal controls in place in the Joint Undertaking for the implementation and closing of grant agreements under H2020; calls on the Joint Undertaking to reply to the discharge authority concerning the findings of the audit;

Internal control

42. Highlights that, in 2020, the Joint Undertaking adopted a revised internal control framework and that a first annual self-assessment of the revised internal control framework was performed in Q1 2021 in order to evaluate the compliance and effectiveness of internal controls, looking back to 2020, as well as reflecting the current situation in internal control activities existing at that time;
43. Notes that, similarly, a new annual internal control framework assessment evaluating the situation in 2021 was conducted in Q1 2022 both at the level of its individual 17 principles, 5 components, and from the perspective of the framework as a whole; notes that this assessment was carried out on the basis of 53 indicators and taking into account all relevant information available at that time, including the results from previous internal/external audits and the records in the Joint Undertaking's register of exceptions and non-compliance events; notes, after due assessment, that no relevant deficiencies in internal controls were identified; notes that all individual internal control framework principles as well as components were found to be present and to be functioning well;
44. Notes, from the Court's report, that for Horizon 2020 payments, the common audit service of the Commission's DG RDT is responsible for the *ex post* audit; notes that based on the *ex post* audit results available at the end of 2020, the Joint Undertaking reported a representative error rate of 2,3 % (2,9 % in 2020) and a residual error rate of 1,6 % (1,99 % in 2020) for Horizon 2020 projects (clearings and final payments);
45. Notes, that the Court randomly audited a sample of Horizon 2020 payments made in 2021, at the level of final beneficiaries, to corroborate the *ex post* audit error rates; notes that the Court did not find any errors or control weaknesses at the Joint Undertaking beneficiaries sampled;

46. Welcomes that in 2022 all Joint Undertakings have started implementing actions for error rate reductions in line with the action proposed by the European Court of Auditors including exploring the options of simplified forms of costs such as unit costs, lump sums and flat rates, targeting more 'error-prone' types of beneficiaries such as SMEs and new beneficiaries;
 47. Notes that, as with the treatment of potential conflicts of interest, and in order to implement the requirements following from its constituent act with regard to this matter, the Joint Undertaking has adopted by means of its internal legal framework rules in relation to its members and staff, as well as to the members of its governing board, and that the annual declarations of interests of the those members of its governing board are publicly available in the Joint Undertaking official website.
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