

Report on budgetary and financial management

Financial year 2022

TABLE OF CONTENTS

Report on budgetary and financial management.....	1
1 Legal and financial framework	3
2 Budgetary principles.....	3
3 Overview of the budget.....	3
3.1. Initial budget, amending budgets and final budget	3
3.2. Overview of the total budget 2022	4
3.3. Cash contributions from IHI JU Members.....	6
3.4. Budget transfers	7
3.5. Total budget implementation	7
3.6. Operational expenditure (Title 3)	8
3.7. Administrative expenditure (Title 1 and Title 2)	9
3.8. Overview of the carry over appropriations to 2023.....	9

1 Legal and financial framework

During 2022, the Programme Office implemented the legislation creating IHI ([Council Regulation \(EU\) 2021/2085](#)), while continuing to manage projects launched under the IMI1 and IMI2 programmes (Council Regulations [\(EC\) 73/2008](#) and [\(EU\) 557/2014](#) respectively).

2 Budgetary principles

As set out in the JU Financial Rules, the budget of IHI JU was established and implemented in accordance with the principles of unity, budget accuracy, annuality, equilibrium, unit of account, universality, specification, sound financial management and transparency.

3 Overview of the budget

3.1. Initial budget, amending budgets and final budget

IHI JU' total budget for 2022 was EUR **272,383,841** in commitment appropriations (CA) and EUR **174,845,991** in payment appropriations (PA). The budget execution of the commitment appropriations and the payment appropriations reached **96.60%** and **86.25%** respectively. The IHI JU' budget is divided into three titles:

- Title 1 covers staff expenditure such as salaries, training, costs associated with recruitment procedures, missions and staff well-being.
- Title 2 covers the costs associated with functioning of IHI such as renting of premises, IT needs, meetings, expenses related to external communication and costs of ex-post audits.
- Titles 1 and 2 together form the administrative expenditure.
- Title 3 covers IHI's operational activities.

The IHI JU Governing Board approved the 2022 budget on 16 December 2021. The total budget approved was EUR 9.3 million in commitment appropriations and EUR 176.3 million in payment appropriations. The budget was subsequently amended during 2022.

The first budget amendment was approved by the Governing Board on 17 June 2022. The total budget approved was EUR 264.8 million in commitment appropriations and EUR 167.7 million in payment appropriations. The first budget amendment was driven by revenue and expenditure updates as follows:

- To update the commitment appropriations related to the first three Calls launched in 2022 under Horizon Europe programme, of the total amount EUR 253.7 million.
- To update the contributions of the EU and the new industry members to IHI JU budget, for both administrative and operational budget. In addition, the EU contribution reflected the carry-over of revenue from previous year of EUR 0.5 million.
- To enter in the budget the carry-over of the operational funds from the previous year, of EUR 1.8 million on commitment appropriations and EUR 7.9 million on payment appropriations.
- To update the operational payment appropriations by reducing them by EUR 17 million to reflect the operational needs of the IMI2 related projects.

The Governing Board approved the second budget amendment on 8 December 2022, to reflect the carry-over of administrative funds from the previous year, of EUR 0.5 million on commitment appropriations and of EUR 0.1 on payment appropriations.

The total appropriations approved with the second budget amendment for 2022 were EUR 265.3 million in commitment appropriations and EUR 167.8 million in payment appropriations. In addition, the amount of assigned revenue (amounts recovered during the year from suppliers and projects) was EUR 7.1 million in commitment appropriations and EUR 7.1 million in payment appropriations.

3.2. Overview of the total budget 2022

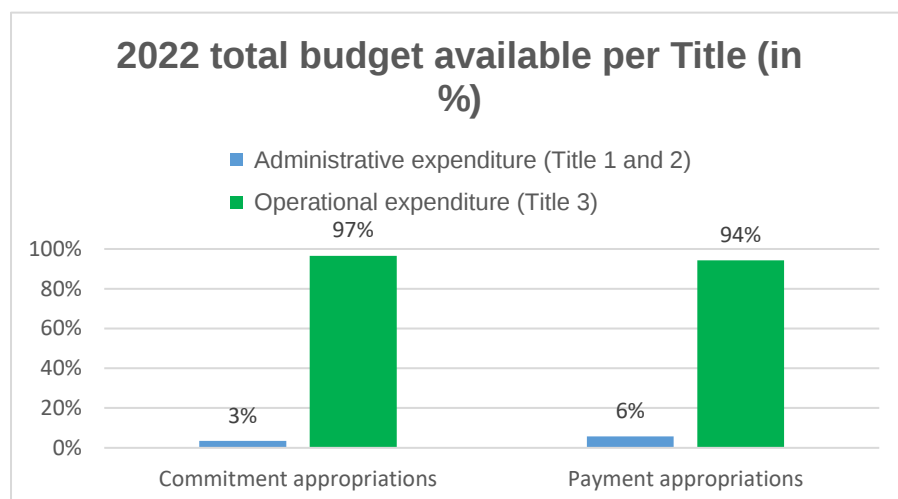
The table below shows the statement of revenue per Members' contributions, indicating the evolution of the budget approved, through budget amendments during 2022, per fund sources (current year, carry overs and assigned revenue), balancing the expenditure per titles.

IHI JU STATEMENT OF REVENUE 2022 EUR											
Chapter /Line	Revenue	Budget 2022.1		Budget 2022 Amendment 1		Budget 2022 Amendment 2		Assigned revenue		Final Amended Budget 2022	
		Commitment Appropriation (CA)	Payment Appropriation (PA)	Commitment Appropriation (CA)	Payment Appropriation (PA)	Commitment Appropriation (CA)	Payment Appropriation (PA)	Commitment Appropriation (CA)	Payment Appropriation (PA)	Commitment Appropriation (CA)	Payment Appropriation (PA)
10	European Commission contribution										
1000	European Commission contribution (including EFTA contribution) for current year out of IMI2 budget	4,640,000	171,640,000	- 928,000	- 17,928,000					3,712,000	153,712,000
1002	European Commission contribution (including EFTA contribution) for current year out of IHI JU budget			254,633,000	1,383,000					254,633,000	1,383,000
1001	European Commission - appropriations carried over from previous years			1,800,760	7,950,873	537,963	50,000			2,338,723	8,000,873
10	European Commission contribution - total	4,640,000	171,640,000	255,505,760	- 8,594,127	537,963	50,000			260,683,723	163,095,873
20	JU members other than the Union contribution										
2000	EFPIA contribution for current year out of IMI2 budget	4,640,000	4,640,000	- 1,383,000	- 1,383,000					3,257,000	3,257,000
2002	EFPIA contribution for current year out of IHI budget			661,500	661,500					661,500	661,500
2001	EFPIA - appropriations carried over from previous years						42,175			-	42,175
	EFPIA contribution - total	4,640,000	4,640,000	- 721,500	- 721,500		42,175			3,918,500	3,960,675
2010	EuropaBio contribution for IHI current year			30,000	30,000					30,000	30,000

IHI JU STATEMENT OF REVENUE 2022 EUR

	Revenue	Budget 2022.1		Budget 2022 Amendment 1		Budget 2022 Amendment 2		Assigned revenue		Final Amended Budget 2022	
Chapter /Line		Commitment Appropriation (CA)	Payment Appropriation (PA)	Commitment Appropriation (CA)	Payment Appropriation (PA)	Commitment Appropriation (CA)	Payment Appropriation (PA)	Commitment Appropriation (CA)	Payment Appropriation (PA)	Commitment Appropriation (CA)	Payment Appropriation (PA)
2011	EuropaBio - appropriations carried over from previous years						325			-	325
	EuropaBio contribution - total	-	-	30,000	30,000	-	325			30,000	30,325
2020	COCIR contribution for IHI current year			345,750	345,750					345,750	345,750
2021	COCIR - appropriations carried over from previous years						3,750			-	3,750
	COCIR contribution - total	-	-	345,750	345,750	-	3,750			345,750	349,500
2030	MedTech Europe contribution for IHI current year			345,750	345,750					345,750	345,750
2031	MedTech Europe - appropriations carried over from previous years						3,750			-	3,750
	MedTech Europe contribution - total	-	-	345,750	345,750	-	3,750			345,750	349,500
20	JU members other than the Union contribution - total	4,640,000	4,640,000	-	-	-	50,000			4,640,000	4,690,000
C4	Assigned revenue (amounts recovered during the year from suppliers and projects)							7,060,118	7,060,118	7,060,118	7,060,118
Total revenue		9,280,000	176,280,000	255,505,760	- 8,594,127	537,963	100,000	-	-	272,383,841	174,845,991
Expenditure											
Title 1	Staff expenditure	6,464,000	6,464,000	-	-			3,043	3,043	6,467,043	6,467,043
Title 2	Infrastructure expenditure	2,816,000	2,816,000	-	455,000	-	100,000	136,734	136,734	2,952,734	3,507,734
Title 3	Operational expenditure	-	167,000,000	255,505,760	- 9,049,127	537,963	-	6,920,341	6,920,341	262,964,064	164,871,214
Total expenditure		9,280,000	176,280,000	255,505,760	- 8,594,127	537,963	100,000	7,060,118	7,060,118	272,383,841	174,845,991

The graph below shows the total 2022 budget available per Title in %.



3.3. Cash contributions from IHI JU Members

IHI JU's total budget is EUR 2.4 billion. Half of this comes from Horizon Europe, the EU's research and innovation programme.

The Union's financial contribution from the Horizon Europe Programme to the IHI JU, including EFTA appropriations, will cover administrative costs and operational costs up to EUR 1.2 billion, including up to EUR 30.2 million for administrative costs. In addition, the Union will further contribute between 2021-2028 to the administrative costs with the amount of up to EUR 22.3 million, representing the carryover from IMI2 JU.

The IHI JU' industry partners have committed to contribute up to EUR 1 billion to IHI JU, and furthermore up to EUR 200 million can be committed by other organisations that decide to support the objectives of IHI JU in specific areas of research, by becoming contributing partners. In addition, the European Federation of Pharmaceutical Industries and Associations (EFPIA) will further contribute between 2021-2028, to the administrative budget with a cash contribution of up to EUR 22.3 million, representing the carryover from IMI2 JU.

In 2022, IHI JU received cash contributions from its Members, related to IMI2 and IHI budgets, as follows:

Sources of Revenue in 2022, EUR	Budgeted for 2022 (fresh credits)	Cashed in 2022
IMI2 budget		
EC contribution to operational costs related to FP7 and H2020 projects	150,000,000	150,000,000
EC contribution to administrative costs	3,712,000	3,712,000
EFPIA contribution to administrative costs	3,257,000	4,469,178
IHI budget		
EC contribution to administrative costs	1,383,000	1,383,000
Industry (EFPIA, EuropaBio, COCIR and MedTech) contribution to administrative costs	1,383,000	1,383,000

The difference between the EC and EFPIA contributions budgeted in 2022, comes from 2021 and it is related to the new programme, Horizon Europe. IHI JU entered into force on 30 November 2021 and the contribution of k EUR 455 was not transferred by EC to IHI JU by the end of 2021. Therefore, the amount of k EUR 455 has been carried over and paid to IHI JU in 2022.

Regarding the EFPIA contribution out of IMI2 budget, the cashed contribution was higher than the budgeted one as a result of the fact that EFPIA reimburses real administrative costs incurred in a given year rather than paying based on the budgeted amounts. The 2021 balance, of EUR 1,212,178, was settled in 2022. Regarding the EC contribution, the part of the contribution that is not used, may be made available for research activities in the following year.

3.4. Budget transfers

In 2022, there were no budget transfers between titles. Budget transfers between chapters were authorised in 2022, which led to the following changes in commitment appropriations:

Chapter		Budget approved and assigned revenue (EUR)	Budget transfers (EUR)	Budget after transfers (EUR)
		Commitment Appropriations	Commitment Appropriations	Commitment Appropriations
11	Staff in active employment	6,032,000	-75,900	5,956,100
12	Staff recruitments - miscellaneous expenditure	5,000	7,861	12,861
13	Missions expenses	80,000	-1,586	78,414
14	Socio-medical structure	212,000	32,731	244,731
15	External staff services	125,000	36,437	161,437
17	Representation	10,000	3,500	13,500
20	Office building and associated costs	660,000	207,259	867,259
21	Information technology (hardware and software)	1,009,000	-125,000	884,000
22	Office equipment	5,000	0	5,000
23	Current administrative expenditure	124,000	46	124,046
24	Telecommunication and postal expenses	38,000	67	38,067
25	Formal meetings	70,000	3,000	73,000
26	Administrative expenditure in connection with operational activities	200,000	-3,000	197,000
27	External communication, information and publicity	300,000	4,361	304,361
28	Service contracts	410,000	50,000	460,000
Total		9,280,000	139,777	9,419,777

3.5. Total budget implementation

The table below shows the execution of the 2022 budget per Title in absolute amounts.

Title	Commitment appropriations	Execution	%	Payment appropriations	Execution	%
Title 1	6,467,043	5,653,252	87.42%	6,467,043	5,598,137	86.56%
Title 2	2,952,734	2,254,538	76.35%	3,507,734	2,601,419	74.16%
<i>Subtotal administrative expenditure</i>	<i>9,419,777</i>	<i>7,907,790</i>	<i>83.95%</i>	<i>9,974,777</i>	<i>8,199,557</i>	<i>82.20%</i>
Title 3	262,964,064	255,218,052	97.05%	164,871,214	142,600,154	86.49%
Total (Title1, 2 and 3)	272,383,841	263,125,842	96.60%	174,845,991	150,799,711	86.25%

3.6. Operational expenditure (Title 3)

IHI JU's **operational budget** (Title 3) reflects expenses linked to the implementation of the IHI JU' research agenda. In 2022, the **operational commitment** and **payment appropriations implementation** reached a level of **97.05%** and **86.49%** respectively.

The table below shows the execution of the 2022 budget per Title in absolute amounts.

Title	Commitment appropriations	Execution	%	Payment appropriations	Execution	%
Title 3	262,964,064	255,218,052	97.05%	164,871,214	142,600,154	86.49%

It should be noted that, since November 2021, IHI JU has managed three programmes in parallel.

- IMI1 (under the Seventh Framework Programme, FP7)

FP7 was the EU's research and innovation funding programme for 2007-2013. Through FP7, the EU contributed EUR 966 million to the IMI1 research programme.

In 2022, payments related to FP7 projects amounted to EUR 13.7 million. The payment appropriations related to FP7 were mainly used by payments for periodic or final reports for projects of IMI1 Calls 6, 8, 9, 10 and 11.

- IMI2 (under Horizon 2020, H2020)

As initially foreseen in the 2014 Council Regulation, the European Union has committed to contribute EUR 1.595 billion from H2020 to the IMI2 programme, for operational activities. At the end of 2021, the total EU commitments available at programme level over the lifetime of the IMI2 JU (2014-2021) for operational activities amount to EUR 1.456,6 billion:

EUR 1.595 billion	(as initially foreseen in Council Regulation 557/2014)
- EUR 139 million	(reduction in 2019)
- EUR 6.7 million	(redeployment to climate related activities under Horizon 2020)
+ EUR 7.3 million	(50% of unused commitments since 2014, transferred from the administrative budget to the operational budget)
= EUR1.456,6 billion	total EU commitments available at programme level over the lifetime of the IMI2 JU (2014-2021) for operational activities at the end of 2021

In 2022, payments related to H2020 projects amounted to EUR 128.9 million. The payment appropriations related to H2020 were mainly used by interim and final payments for projects of IMI2 Calls 3-22.

- IHI JU (under Horizon Europe, HE)

Starting from 30 November 2021, the IHI JU managed a third programme, Horizon Europe.

As foreseen in the 2021 Council Regulation, the EU has committed to contribute EUR 1.170 billion from Horizon Europe to the IHI programme, for operational activities. The IHI JU industry partners have committed up to EUR 1 billion to IHI JU, and furthermore up to EUR 200 million can be committed by other organisations that decide to support the objectives of IHI in specific areas of research, by becoming contributing partners.

Regarding the commitment appropriations, in 2022, IHI JU launched the first three Calls for proposals under the Horizon Europe programme. The committed amounts were EUR 95 million for IHI Call 1, EUR 22 million for IHI Call 2 and EUR 138 million for IHI Call 3.

The payment appropriations related to Horizon Europe were used by payments for evaluation experts. In 2022, there were no payments related to Horizon Europe projects.

The table below shows the summary of commitments outstanding for operational expenditure per programme, at the end of 2022.

Commitments carried forward from previous year 2021	Commitment appropriations in EUR				
	Carry forward	Commitments made during 2022	De-commitments	Payments	Commitments outstanding at end 2022
FP7	84,734,723	9,052	-26,087,945	-13,717,777	44,938,054
H2020	618,901,399	-	-3,300,758	-128,744,813	487,855,828
Horizon Europe		255,209,000		-137,565	255,071,435
Total Title 3	703,636,122	255,218,052	-29,388,703	-142,600,154	786,865,318

3.7. Administrative expenditure (Title 1 and Title 2)

The **administrative budget implementation**, of the **commitment and payment appropriations**, reached a level of **83.95%** and **82.20%** respectively.

Title	Commitment appropriations	Execution	%	Payment appropriations	Execution	%
Title 1	6,467,043	5,653,252	87.42%	6,467,043	5,598,137	86.56%
Title 2	2,952,734	2,254,538	76.35%	3,507,734	2,601,419	74.16%
Total administrative expenditure	9,419,777	7,907,790	83.95%	9,974,777	8,199,557	82.20%

The implementation rates show a significant achievement for administrative expenditure (Titles 1 and 2) in 2022, as a result of continuous actions in planning and monitoring the administrative budget.

Regarding Title 1, the budget implementation of the commitment and payment appropriations reached a level of 87.4% and 86.6% respectively. Within Title 1, the payments execution rate for missions expenditure was 16%, as a result of the COVID-19 crisis' effects and attending many meetings and events in remote mode.

Regarding Title 2, the budget implementation of the commitment and payment appropriations reached a level of 76.4% and 74.2% respectively.

A significant part of Title 2 budget was used for expenditure linked to rent, IT, communication, ex-post audit and studies, as support provided in managing the three programmes running.

On the other hand, due to effects of the COVID-19 crisis, formal meetings and expenditure in connection with operational activities costs were affected by meetings taking place mainly virtually. IHI JU continued to execute its budget applying principles of sound financial management, which resulted in several budget transfers between budget chapters, in line with operational needs. In 2022 there were no budget transfers between titles.

3.8. Overview of the carry over appropriations to 2023

The table below shows the **commitment appropriations (CA) implementation** for financial year 2022, reflecting the following fund sources: current year credits, recoveries from beneficiaries and re-activation of appropriations from preceding financial years.

In line with article 174.14 from legislation creating IHI (Council Regulation (EU) 2021/2085) and article 6 of the Commission Delegated Regulation (EU) 2019/887, the unused appropriations may be carried over up to following three financial years. The unused appropriations shown in the table below, to be carried over, are estimated, being subject to Governing Board approval.

In line with article 26 of Single Basic Act, any unused part of the contribution for administrative costs may be made available to cover the operational costs of the Joint Undertaking. As such, 50 % of the 2022 unused administrative appropriations (EC part) is available to be carried over to operational expenditure in 2023. Such appropriations are foreseen to be used for new Calls under the programme Horizon Europe.

Title	Commitment appropriations	Execution	%	Unused commitment appropriations 2022
Title 1	6,467,043	5,653,252	87.42%	813,791
Title 2	2,952,734	2,254,538	76.35%	698,196
Subtotal administrative expenditure	9,419,777	7,907,790	83.95%	1,511,987
Title 3	262,964,064	255,218,052	97.05%	7,746,012
Total (Title 1, 2 and 3)	272,383,841	263,125,842	96.60%	9,257,999

For a complete overview of the unused appropriations, the table below shows the implementation of fund source that reflects the commitments carried forward from 2021.

Title	Commitment appropriations	Commitment appropriations 2022 carried forward	Commitment appropriations Consumed	Unused commitment appropriations 2022
Title 1+ Title 2	Administrative expenditure Total Title 1+ Title 2	1,531,105	1,392,628	138,477
Title 3	Title 3 - Operational expenditure	703,636,122	674,502,735	29,133,387
Total (Title 1, 2 and 3)		705,167,227	675,895,363	29,271,864

In terms of total commitment appropriations, the first estimate of the 2022 surplus that remains within the Joint Undertaking is EUR 38,529,863 with the following breakdown:

EUR 36,879,399 unused commitment appropriations of operational activities. Out of it, estimated available appropriations to be carried over is the amount of EUR 1,034,723. The difference of EUR 35,844, 676 is estimated not to be available to be carried over as it is stemming from closed programmes FP7 and H2020 (de-commitments, recoveries from beneficiaries).

EUR 1,650,464 unused commitment appropriations of administrative activities. Out of it, estimated available to be carried over is the amount of EUR 825,232, representing 50%, EC part, that can be carried over to operational activities in 2023.

The table below shows the **payment appropriations (PA) implementation** for financial year 2022, reflecting the following fund sources: current year credits, recoveries from beneficiaries and re-activation of appropriations from preceding financial years.

Title	Payment appropriations	Execution	%	Unused payment appropriations 2022
Title 1	6,467,043	5,598,137	86.56%	868,906
Title 2	3,507,734	2,601,419	74.16%	906,315
Subtotal administrative expenditure	9,974,777	8,199,557	82.20%	1,775,220
Title 3	164,871,214	142,600,154	86.49%	22,271,060
Total (Title 1, 2 and 3)	174,845,991	150,799,711	86.25%	24,046,280

In terms of total payment appropriations, the first estimate of the 2022 surplus that remains within the Joint Undertaking is EUR 24,046,280, with the following breakdown:

EUR 22,271,060 unused payment appropriations of operational activities to be carried over to financial year 2024.

EUR 1,775,220 payment appropriations of administrative activities available to be carried over to 2023. Out of it, the amount of up to EUR 1,100,861 is estimated to be carried over to 2023, as it is related to administrative commitments carried forward to 2023.