

# Report on budgetary and financial management

## Financial year 2023

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# 1 Legal and financial framework

The Innovative Health Initiative Joint Undertaking (IHI JU) is established and regulated by Council Regulation (EU) 2021/2085<sup>1</sup> of 19 November 2021.

Under the Single Basic Act (Article 174.7), the Innovative Health Initiative Joint Undertaking is the legal and universal successor in respect of all contracts, including employment contracts and grant agreements, liabilities and acquired property of the Innovative Medicines Initiative 2 Joint Undertaking established by Council Regulation (EU) No 557/2014 of 6 May 2014, which it shall replace and succeed.

During 2023, the Programme Office implemented the Horizon Europe programme by launching new calls for proposals (4 and 5) 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 2023 was **EUR 223,231,575** in commitment appropriations (CA) and **EUR 225,848,975** in payment appropriations (PA). The budget execution of the commitment appropriations and the payment appropriations reached **92.65%** and **90.29%** respectively. The IHI JU budget is divided into three titles:

- Title 1 covers staff expenditure such as salaries and allowances, 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 infrastructure, meetings, experts, 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 in accordance with the Council Regulation.

The IHI JU Governing Board approved the 2023 budget on 22 December 2022. The total budget approved was EUR 215.3 million in commitment appropriations and EUR 219.5 million in payment appropriations. The budget was subsequently amended during 2023.

The budget amendment was approved by the Governing Board on 24 July 2023. The commitment appropriations were adjusted to include the carry overs from the previous year, of EUR 1.6 million. The total budget approved was EUR 216.9 million in commitment appropriations and EUR 219.5 million in payment appropriations.

<sup>1</sup> published in the Official Journal on 30 November 2021 (date of entry into force of the Single Basic Act (SBA)).

### 3.2. Overview of the total budget 2023

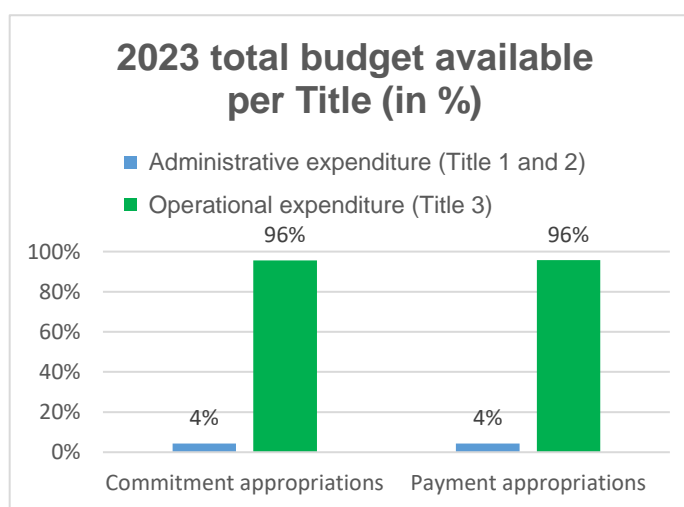
The table below shows the statement of revenue per Members' contributions, indicating the evolution of the budget approved, through budget amendment during 2023, per fund sources (current year, carry overs and assigned revenue), balancing the expenditure per titles.

#### IHI JU STATEMENT OF REVENUE 2023 EUR

| Chapter/line Revenue  | Budget 2023.1      |                    | Budget 2023 Amendment 1 |                | Assigned revenue |    | Final Amended Budget 2023.1 |                    |
|---|--------------------|--------------------|-------------------------|----------------|------------------|----|-----------------------------|--------------------|
|   | CA                 | PA                 | CA                      | PA             | CA               | PA | CA                          | PA                 |
| <b>10<br/>European Commission contribution</b>  |                    |                    |                         |                |                  |    |                             |                    |
| <b>1000</b><br>European Commission contribution (including EFTA contribution) for current year out of IMI2 budget.<br>Administrative costs CA=PA EUR 3,325,000<br>Operational costs PA EUR 130,000,000  | 3,325,000          | 137,325,000        |                         | -<br>4,000,000 |                  |    | 3,325,000                   | 133,325,000        |
| <b>1002</b><br>European Commission contribution (including EFTA contribution) for current year out of IHI JU budget.<br>Administrative costs CA=PA EUR 1,425,000<br>Operational costs CA EUR 205,780,000<br>Operational costs PA EUR 80,000,000 | 207,205,000        | 77,425,000         |                         | 4,000,000      |                  |    | 207,205,000                 | 81,425,000         |
| <b>1001</b><br>European Commission - appropriations carried over from previous years  |                    |                    | 1,602,600               |                |                  |    | 1,602,600                   | -                  |
| <b>European Commission contribution - total</b>   | <b>210,530,000</b> | <b>214,750,000</b> | <b>1,602,600</b>        | <b>-</b>       |                  |    | <b>212,132,600</b>          | <b>214,750,000</b> |
| <b>20<br/>JU members other than the Union contribution</b>  |                    |                    |                         |                |                  |    |                             |                    |
| <b>2000</b><br>EFPIA contribution for current year out of IMI2 budget to administrative costs   | 3,325,000          | 3,325,000          |                         |                |                  |    | 3,325,000                   | 3,325,000          |
| <b>2002</b><br>EFPIA contribution for current year out of IHI budget to administrative costs  | 697,500            | 697,500            |                         |                |                  |    | 697,500                     | 697,500            |
| <b>EFPIA contribution - total</b>   | <b>4,022,500</b>   | <b>4,022,500</b>   | <b>-</b>                | <b>-</b>       |                  |    | <b>4,022,500</b>            | <b>4,022,500</b>   |
| <b>2010</b><br>EuropaBio contribution for IHI current year to administrative costs  | 15,000             | 15,000             |                         |                |                  |    | 15,000                      | 15,000             |
| <b>EuropaBio contribution - total</b>   | <b>15,000</b>      | <b>15,000</b>      | <b>-</b>                | <b>-</b>       |                  |    | <b>15,000</b>               | <b>15,000</b>      |
| <b>2020</b><br>COCIR contribution for IHI current year to administrative costs  | 356,250            | 356,250            |                         |                |                  |    | 356,250                     | 356,250            |
| <b>COCIR contribution - total</b>   | <b>356,250</b>     | <b>356,250</b>     | <b>-</b>                | <b>-</b>       |                  |    | <b>356,250</b>              | <b>356,250</b>     |
| <b>2030</b><br>MedTech Europe contribution for IHI current year to administrative costs   | 356,250            | 356,250            |                         |                |                  |    | 356,250                     | 356,250            |
| <b>MedTech Europe contribution - total</b>  | <b>356,250</b>     | <b>356,250</b>     | <b>-</b>                | <b>-</b>       |                  |    | <b>356,250</b>              | <b>356,250</b>     |

|  |                    |                    |                  |          |                  |                  |                    |                    |
|--|--------------------|--------------------|------------------|----------|------------------|------------------|--------------------|--------------------|
| <b>20<br/>JU members other than the<br/>Union contribution - total</b>           | <b>4,750,000</b>   | <b>4,750,000</b>   | <b>-</b>         | <b>-</b> |                  |                  | <b>4,750,000</b>   | <b>4,750,000</b>   |
| Assigned revenue (amounts recovered during the year from suppliers and projects) |                    |                    |                  |          | 6,348,975        | 6,348,975        | 6,348,975          | 6,348,975          |
| <b>Total revenue</b>   | <b>215,280,000</b> | <b>219,500,000</b> | <b>1,602,600</b> | <b>-</b> | <b>-</b>         | <b>-</b>         | <b>223,231,575</b> | <b>225,848,975</b> |
| <b>Expenditure</b>   |                    |                    |                  |          |                  |                  |                    |                    |
| <b>Title 1</b>   |                    |                    |                  |          |                  |                  |                    |                    |
| Staff expenditure  | 6,488,000          | 6,488,000          | -                | -        | -                | -                | 6,488,000          | 6,488,000          |
| <b>Title 2</b>   |                    |                    |                  |          |                  |                  |                    |                    |
| Infrastructure expenditure   | 3,012,000          | 3,012,000          | -                |          | 152,799          | 152,799          | 3,164,799          | 3,164,799          |
| <b>Title 3</b>   |                    |                    |                  |          |                  |                  |                    |                    |
| Operational expenditure  | 205,780,000        | 210,000,000        | 1,602,600        |          | 6,196,176        | 6,196,176        | 213,578,776        | 216,196,176        |
| <b>Total expenditure</b>   | <b>215,280,000</b> | <b>219,500,000</b> | <b>1,602,600</b> | <b>-</b> | <b>6,348,975</b> | <b>6,348,975</b> | <b>223,231,575</b> | <b>225,848,975</b> |

The graph below shows the total 2023 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 2023, IHI JU received cash contributions from its members, related to IMI2 and IHI budgets, as follows:

| Sources of Revenue in 2023, EUR  | Budgeted for 2023 (fresh credits) | Cashed in 2023 |
|--|-----------------------------------|----------------|
| <b>IMI2 budget</b>   |                                   |                |
| <b>EC contribution to operational costs related to FP7 and H2020 projects</b>              | 130,000,000                       | 130,000,000    |
| <b>EC contribution to administrative costs</b>   | 3,325,000                         | 3,325,000      |
| <b>EFPIA contribution to administrative costs</b>  | 3,325,000                         | 2,937,845      |
| <b>IHI budget</b>  |                                   |                |
| <b>EC contribution to operational costs related to Horizon Europe projects</b>             | 80,000,000                        | 80,000,000     |
| <b>EC contribution to administrative costs</b>   | 1,425,000                         | 1,425,000      |
| <b>Industry (EFPIA, EuropaBio, COCIR and MedTech) contribution to administrative costs</b> | 1,425,000                         | 1,271,933      |

The difference between the industry contributions budgeted and the amounts cashed in 2023, comes from the regularizations of contributions of financial year 2022 settled in financial year 2023. This is a result of the legal agreements that industry members reimburse real administrative costs incurred in a given year rather than paying based on the budgeted amounts.

### 3.4. Budget transfers

In 2023, there were no budget transfers between titles. Budget transfers between chapters were authorised in 2023, which led to the following changes in commitment appropriations:

| Chapter   | Budget approved and assigned revenue (EUR) | Budget transfers (EUR) | Budget after transfers (EUR) |
|---|--|------------------------|------------------------------|
| 11 Staff in active employment   | 5,922,000                                  | -71,124                | 5,850,876                    |
| 12 Staff recruitments - miscellaneous expenditure                       | 5,000                                      | 1,800                  | 6,800                        |
| 13 Missions expenses  | 144,000                                    | -                      | 144,000                      |
| 14 Socio-medical structure  | 232,000                                    | 9,562                  | 241,562                      |
| 15 External staff services  | 175,000                                    | 59,762                 | 234,762                      |
| 17 Representation   | 10,000                                     | -                      | 10,000                       |
| 20 Office building and associated costs                                 | 850,754                                    | 2,320                  | 853,074                      |
| 21 Information technology (hardware and software)                       | 1,090,000                                  | 5,230                  | 1,095,230                    |
| 22 Office equipment   | 5,000                                      | -2,320                 | 2,680                        |
| 23 Current administrative expenditure                                   | 124,000                                    | 20,000                 | 144,000                      |
| 24 Telecommunication and postal expenses                                | 40,045                                     | -                      | 40,045                       |
| 25 Formal meetings  | 80,000                                     | -                      | 80,000                       |
| 26 Administrative expenditure in connection with operational activities | 250,000                                    | 10,000                 | 260,000                      |
| 27 External communication, information and publicity                    | 300,000                                    | -                      | 300,000                      |

|    |                   |                  |          |                  |
|----|-------------------|------------------|----------|------------------|
| 28 | Service contracts | 425,000          | -35,230  | 389,770          |
|    | <b>Total</b>      | <b>9,652,799</b> | <b>0</b> | <b>9,652,799</b> |

### 3.5. Total budget implementation

The table below shows the execution of the 2023 budget per Title in absolute amounts.

| Title                                      | Commitment appropriations | Execution          | %             | Payment appropriations | Execution          | %             |
|--|---------------------------|--------------------|---------------|------------------------|--------------------|---------------|
| <b>Title 1 Staff expenditure</b>           | 6,488,000                 | 5,674,330          | 87.46%        | 6,488,000              | 5,602,300          | 86.35%        |
| <b>Title 2 Infrastructure expenditure</b>  | 3,164,799                 | 2,173,337          | 68.67%        | 3,164,799              | 2,129,790          | 67.30%        |
| <b>Subtotal administrative expenditure</b> | <b>9,652,799</b>          | <b>7,847,666</b>   | <b>81.30%</b> | <b>9,652,799</b>       | <b>7,732,090</b>   | <b>80.10%</b> |
| <b>Title 3 Operational expenditure</b>     | 213,578,776               | 198,983,171        | 93.17%        | 216,196,176            | 196,185,496        | 90.74%        |
| <b>Total expenditure (Title1, 2 and 3)</b> | <b>223,231,575</b>        | <b>206,830,838</b> | <b>92.65%</b> | <b>225,848,975</b>     | <b>203,917,585</b> | <b>90.29%</b> |

### 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 2023, the implementation of **operational commitment** and **payment appropriations** reached a level of **93.17%** and **90.74%** respectively.

The table below shows the execution of the 2023 budget per Title in absolute amounts.

| Title          | Commitment appropriations | Execution   | %      | Payment appropriations | Execution   | %      |
|----------------|---------------------------|-------------|--------|------------------------|-------------|--------|
| <b>Title 3</b> | 213,578,776               | 198,983,171 | 93.17% | 216,196,176            | 196,185,496 | 90.74% |

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 2023, payments related to FP7 projects amounted to EUR 7.3 million. The payment appropriations related to FP7 were used by payments for periodic or final reports for projects under IMI1 call 6 and call 8.
- **IMI2 (under Horizon 2020, H2020)**  
As initially set out 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 set out in Council Regulation 557/2014) |  |
|---|--|
| <b>- EUR 139 million</b>  | (reduction in 2019)  |
| <b>- EUR 6.7 million</b>  | (redeployment to climate related activities under Horizon 2020)  |
| <b>+ EUR 7.3 million</b>  | (50% of unused commitments since 2014, transferred from the administrative budget to the operational budget) |

|                            |  |
|----------------------------|--|
| <b>= EUR1.4566 billion</b> | 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 2023, payments related to H2020 projects amounted to EUR 118.3 million. The payment appropriations related to H2020 were used by interim and final payments for projects under IMI2 calls 3-23.

- IHI JU (under Horizon Europe, HE)

Starting from 30 November 2021, the IHI JU managed a third programme, Horizon Europe. As set out 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 2023, IHI JU launched the fourth and the fifth calls for proposals under the Horizon Europe programme. The committed amounts were EUR 83.4 million for call 4 and EUR 115 million for call 5.

In 2023, payments related to Horizon Europe projects amounted to EUR 70.6 million. The payment appropriations related to Horizon Europe were used by pre-financing payments for projects of Horizon Europe calls 1, 2 and 3, launched in 2022 and by payments related to evaluation experts.

The table below shows the summary of commitments outstanding for operational expenditure per programme, at the end of 2023.

| Commitment appropriations in EUR                    |                    |                              |                    |                    |                                     |
|---|--------------------|------------------------------|--------------------|--------------------|-------------------------------------|
| Commitments carried forward from previous year 2022 | Carry forward      | Commitments made during 2023 | De-commitments     | Payments           | Commitments outstanding at end 2023 |
| <b>FP7</b>  | 44,938,054         | 31,929                       | -6,605,177         | 7,288,133          | 31,076,674                          |
| <b>H2020</b>  | 486,855,828        | 1242,02                      | -10,009,846        | 118,292,421        | 358,554,803                         |
| <b>Horizon Europe</b>                               | 255,071,435        | 198,950,000                  | -71,211,094        | 70,604,941         | 312,205,400                         |
| <b>Total Title 3</b>                                | <b>786,865,317</b> | <b>198,983,171</b>           | <b>-87,826,116</b> | <b>196,185,496</b> | <b>701,836,876</b>                  |

### 3.7. Administrative expenditure (Title 1 and Title 2)

The **administrative budget implementation**, of the **commitment and payment appropriations**, reached a level of **81.3%** and **80.1%** respectively.

| Title                                   | Commitment appropriations | Execution        | %             | Payment appropriations | Execution        | %             |
|---|---------------------------|------------------|---------------|------------------------|------------------|---------------|
| <b>Title 1</b>                          | 6,488,000                 | 5,674,330        | 87.46%        | 6,488,000              | 5,602,300        | 86.35%        |
| <b>Title 2</b>                          | 3,164,799                 | 2,173,337        | 68.67%        | 3,164,799              | 2,129,790        | 67.30%        |
| <b>Total administrative expenditure</b> | <b>9,652,799</b>          | <b>7,847,666</b> | <b>81.30%</b> | <b>9,652,799</b>       | <b>7,732,090</b> | <b>80.10%</b> |



At the end of 2023, the administrative budget was EUR 9.7 million in commitment appropriations and equal amount in payment appropriations. The implementation rates show a good achievement for administrative expenditure (Titles 1 and 2) in 2023, 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 87.5% and 86.4% respectively.

Regarding Title 2, the budget implementation of the commitment and payment appropriations reached a level of 68.7% and 67.3% respectively.

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

Within Title 2, the execution of budget related to formal meetings, expenditure in connection with operational activities and communication costs was impacted by meetings and events taking place mainly virtually.

IHI JU continued to execute its budget applying the principles of sound financial management, which resulted in several budget transfers between budget chapters, in line with operational needs. In 2023, there were no budget transfers between titles.

### 3.8. Overview of the carry over appropriations to 2024 and 2025

The table below shows the **implementation of commitment appropriations (CA) for financial year 2023**, 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 the legislation creating IHI JU (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 to be carried over (shown in the table below) are estimated and 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 2023 unused administrative appropriations (EC part) is available to be carried over to operational expenditure in 2025. Such appropriations are foreseen to be used for calls under Horizon Europe programme.

| Title                                      | Commitment appropriations | Execution          | %             | Unused commitment appropriations 2023 |
|--|---------------------------|--------------------|---------------|---------------------------------------|
| <b>Title 1</b>                             | 6,488,000                 | 5,674,330          | 87.46%        | 813,670                               |
| <b>Title 2</b>                             | 3,164,799                 | 2,173,337          | 68.67%        | 991,463                               |
| <b>Subtotal administrative expenditure</b> | <b>9,652,799</b>          | <b>7,847,666</b>   | <b>81.30%</b> | <b>1,805,133</b>                      |
| <b>Title 3</b>                             | 213,578,776               | 198,983,171        | 93.17%        | 14,595,605                            |
| <b>Total (Title 1, 2 and 3)</b>            | <b>223,231,575</b>        | <b>206,830,838</b> | <b>92.65%</b> | <b>16,400,738</b>                     |

In addition, the administrative commitments carried forward from 2022 of EUR 1,100,861 were consumed by EUR 978,558, resulting in unused commitment appropriations of EUR 122,303.

In terms of total commitment appropriations, the first estimate of the 2023 surplus that remains within the Joint Undertaking is EUR 16,523,041 with the following breakdown:

- EUR 8,282,600 unused commitment appropriations of operational activities related to programme Horizon Europe, to be carried over to financial year 2025.
- EUR 6,313,005 unused commitment appropriations stemming from recoveries related to FP7 and H2020 programmes. Out of it, the amount of EUR 291,992 is estimated to be carried over to financial year 2024 for potential regularizations or late payment interest.
- EUR 1,927,436 unused commitment appropriations of administrative activities. Out of it, the amount of EUR 963,400, representing 50% EC part, is envisaged to be carried over to financial year 2025.

The table below shows the **implementation of payment appropriations (PA) for financial year 2023**, 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 2023 |
|--|------------------------|--------------------|---------------|------------------------------------|
| <b>Title 1</b>                             | 6,488,000              | 5,602,300          | 86.35%        | 885,700                            |
| <b>Title 2</b>                             | 3,164,799              | 2,129,790          | 67.30%        | 1,035,010                          |
| <b>Subtotal administrative expenditure</b> | 9,652,799              | 7,732,090          | 80.10%        | 1,920,710                          |
| <b>Title 3</b>                             | 216,196,176            | 196,185,496        | 90.74%        | 20,010,680                         |
| <b>Total (Title 1, 2 and 3)</b>            | <b>225,848,975</b>     | <b>203,917,585</b> | <b>90.29%</b> | <b>21,931,390</b>                  |

In terms of total payment appropriations, the first estimate of the 2023 surplus that remains within the Joint Undertaking is EUR 21,931,390, with the following breakdown:

- EUR 20,010,680 unused payment appropriations of operational activities to be carried over to financial year 2025.
- EUR 1,920,710 unused payment appropriations of administrative activities. Out of it, the amount of EUR 1,094,135 is related to administrative commitments carried forward to 2024. These appropriations will be carried over to financial year 2024 depending on operational needs.