



REPORT ON THE BUDGETARY AND FINANCIAL MANAGEMENT 2019

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INTRODUCTION

The present report is drawn in accordance with Article 17.3 of the Annex ‘Statutes of the Fuel Cells and Hydrogen 2 Joint Undertaking’ of the Council Regulation (EU) No 559/2014 establishing the Fuel Cells and Hydrogen 2 Joint Undertaking and with Article 53 of the Financial Rules of the Fuel Cells and Hydrogen 2 Joint Undertaking and based on the Guidelines for EU bodies on the Report on Budgetary and Financial management issued by the European Commission on 20/12/2016.

It presents information on the budgetary and financial management by the FCH 2 JU for the financial year 2019.

The report includes information on the list of amending budgets and transfers, assigned revenues, reactivations of appropriations and multi-annual programme implementation for FP7 and H2020.

The FCH 2 JU budget consists of the revenue and expenditure side. On the expenditure side, the budget is divided in 3 titles:

- Title 1 covers staff expenditure such as salaries, training, costs associated with recruitment procedure, missions, medical expenses and representation costs;
- Title 2 covers the cost associated with functioning of the FCH 2 JU such as renting of premises, IT needs, expenses related to external communication, expert fees and costs of ex-post audits;
- Title 3 covers operational activities of FCH 2 JU.

FCH 2 JU uses the following 4 fund sources for its budgetary management through the ABAC system. A short explanation of each fund source is provided below:

C1: represents the EU budget subsidy received from the European Commission and the Members’ contribution for the current financial year

C2: this represents the cancelled appropriations from the previous year(s) carried over to the next financial year. In FCH 2 JU, these can be used up to the following 3 financial years.

C4: this represents the appropriations which can be used again as a result of debit notes issued by the JU (otherwise known as internal assigned revenue)

C8: this represents the appropriations which are automatically carried forward to meet obligations arising from previous years. Since 2015, only commitment appropriations are automatically carried forward.

1. OVERVIEW OF THE BUDGET

1.1 Initial budget, amending budgets and final budget

The Governing Board (GB) approved the 2019 budget on 17 December 2018 for the global amount of EUR 90.9 M in commitment appropriations (CA) and EUR 116 M for payment appropriations (PA).

At the end of the year -and after 2 amendments, 5 budget transfers and the internal assigned revenues cashed in 2019- the final appropriations reached EUR 91.7 M in terms of CA and EUR 113.9 M in terms of PA. CA showed a 7% increase compared to 2018 whereas PA decreased by 10%.

The 1st amendment was adopted by the Decision of the Governing Board of 10 May 2019 and introduced unused administrative and operational payment appropriations carried over from 2018. The 2nd amendment was approved by the Governing Board on 13 December 2019 following the decrease in operational payment appropriations as accepted in the context of the Global Transfer procedure of the European Commission.

In addition, 5 budget transfers took place between different budget lines without any impact on either voted or amended budgets.

The table in the next page shows the budget evolution from the initial to the final including all changes (amendments, transfers and assigned revenues).

Table 1: Initial budget, amending budgets and final budget 2019 (in EUR)

		VOTED BUDGET (December 2018)		AMENDMENTS/TRANSFERS		ASSIGNED REVENUE	FINAL BUDGET	
Title	Heading	Commitment appropriations	Payment appropriations	Commitment appropriations	Payment appropriations	Commitment and payment appropriations	Commitment appropriations	Payment appropriations
Chapter								
1 1	Staff in active employment	3,218,000	3,218,000	- 5,000	130,241	19	3,213,019	3,348,260
1 2	Expenditure related to recruitment	137,000	137,000	- 30,000	- 30,000		107,000	107,000
1 3	Missions and travel	145,000	145,000	35,000	36,467		180,000	181,467
1 4	Sociomedical infrastructure	42,000	42,000	-	2,809		42,000	44,809
1 5	Entertainment and representation expenses	5,600	5,600	-	0		5,600	5,600
<i>Total Title 1</i>	<i>Staff expenditure</i>	<i>3,547,600</i>	<i>3,547,600</i>	<i>-</i>	<i>139,518</i>	<i>19</i>	<i>3,547,619</i>	<i>3,687,137</i>
2 0	Investments in immovable property, rental of buildings and associated cost	360,000	360,000	- 5,400	25,827	3,006	357,606	388,832
2 1	Information technology	230,000	230,000	130,317	339,964	27,925	388,242	597,889
2 2	Movable property and associated costs	5,000	5,000	- 5,000	- 5,000		-	-
2 3	Current administrative expenditure	10,000	10,000	- 5,500	- 4,299		4,500	5,701
2 4	Correspondence, postage and telecommunications	9,000	9,000	4,000	11,359		13,000	20,359
2 5	Expenditure on formal and other meetings	90,000	90,000	-	2,711	2,299	92,299	95,010
2 6	Communication costs	583,705	583,705	50,000	288,836		633,705	872,541
2 7	Service contracts	400,000	400,000	- 168,077	- 7,164		231,923	392,836
2 8	Expert contracts and meetings	404,200	404,200	- 340	22,594		403,860	426,794
<i>Total Title 2</i>	<i>Infrastructure</i>	<i>2,091,905</i>	<i>2,091,905</i>	<i>-</i>	<i>674,827</i>	<i>33,229</i>	<i>2,125,134</i>	<i>2,799,962</i>
<i>Total Title 1+2</i>	<i>Administrative expenditure</i>	<i>5,639,505</i>	<i>5,639,505</i>	<i>-</i>	<i>814,345</i>	<i>33,248</i>	<i>5,672,753</i>	<i>6,487,098</i>
3 0 0 1	Implementing research agenda of FCH JU: FP7		4,750,000		575,755	764,153	764,153	6,089,908
3 0 0 2	Implementing research agenda of FCH JU: H2020	85,252,290	105,618,082		- 4,380,496	41,389	85,293,679	101,278,974
<i>Total Title 3</i>	<i>Operational expenditure</i>	<i>85,252,290</i>	<i>110,368,082</i>	<i>-</i>	<i>- 3,804,741</i>	<i>805,541</i>	<i>86,057,832</i>	<i>107,368,882</i>
<i>Total Title 1+2+3</i>		<i>90,891,795</i>	<i>116,007,587</i>	<i>-</i>	<i>- 2,990,396</i>	<i>838,790</i>	<i>91,730,585</i>	<i>113,855,981</i>

The following two tables list the amendments and the transfers of the year.

Table 2: List of amending budgets adopted by the Governing Board

Amendment Number	Date of adoption	Main subject Description	Impact on Commitment appropriations (in EUR)	Impact on Payment appropriations (in EUR)
1	10/05/2019	Reactivation of payment appropriations for open administrative commitments from 2018 and reactivation of payment appropriations for operational expenses from 2018	-	8,509,604
2	13/12/2019	Reduction of FP7 and H2020 payment appropriations as the outcome of Global Transfer procedure of the European Commission	-	-11,500,000

Table 3: List of transfers adopted by the Executive Director (no impact on overall commitment and payment appropriations)

Transfer Number	Date of adoption	Total amount of transfer (in EUR)	Main subject Description
1	07/02/2019	56,000	Transfer from service contracts to IT costs and correspondence, postage and telecommunication
2	09/09/2019	30,000	Transfer from expenditure related to recruitment to mission expenses
3	06/11/2019	79,500	Transfer from staff in active employment and service contracts to mission expenses, current administrative expenditure and communication costs
4	13/12/2019	78,318	Transfer from immovable property, movable property, current administrative expenditure, communication costs and service contracts to IT infrastructure
5	18/12/2019	15,184	Transfer from H2020 to FP7 budget line

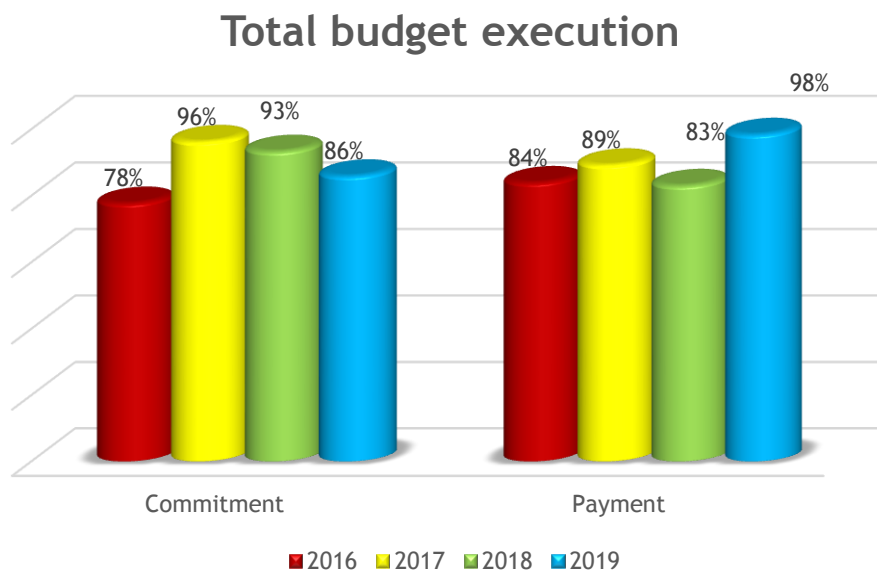
1.2 Budget Implementation

In 2019, FCH Commitment utilisation rate reached 86%, lower than in 2018 (93%). This was due to the outcome of the call whereby 2 topics were not covered due to lack of eligible proposals and proposals that didn't pass the minimum quality threshold (FCH-01-1-2019: Demonstrating the blueprint for a zero-emission logistics ecosystem and FCH-01-1-2019: Underground storage HRS), the impact of which is EUR 11.5M.

In terms of payment appropriations, the level of executed payments recorded the best performance in FCH history (98%), surpassing by far the previous record. This reveals the accuracy of the budget forecast and is the outcome of a close monitoring of project spending and time to pay.

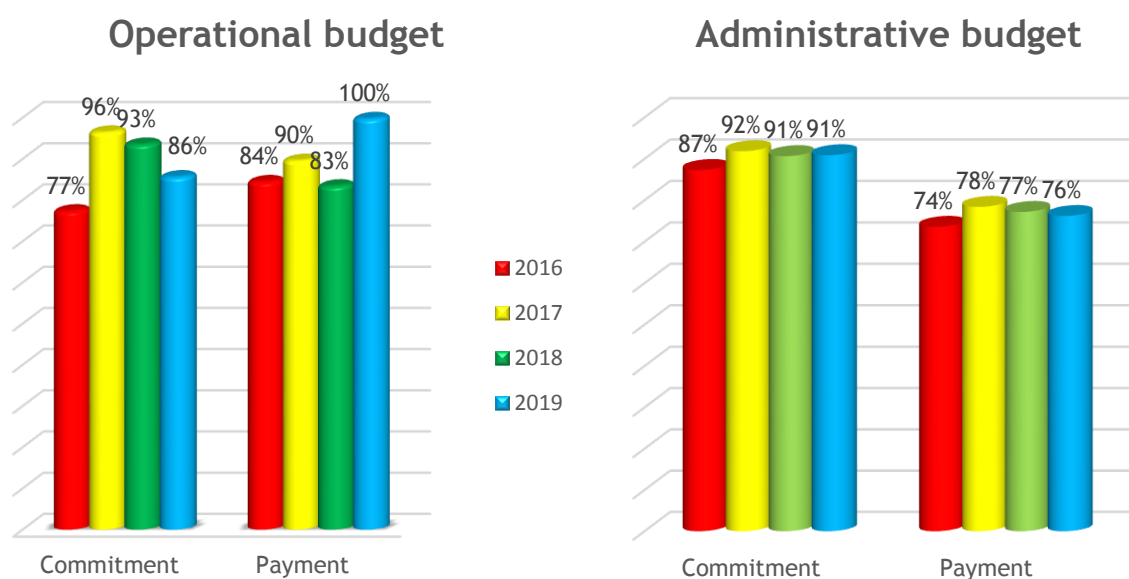
The following chart presents the total budget execution for commitments and payments since 2016.

Chart 1: Budget execution 2016-2019



The following charts depict the budget execution in terms of commitment and payment appropriations for operational and administrative costs.

Chart 2: Execution of administrative and operational costs (commitments and payments) 2016-2019



1.3 Main highlights of 2019 budget execution

Administrative expenditure

Administrative budget execution remained at the same level as 2018 (91%). Unused appropriations coming from the 2019 budget totalled EUR 518 444, of which EUR 148 688 had already been reactivated in the 2020 budget. The remaining EUR 369 756 could be reactivated in 2020 or in 2021 in accordance with FCH 2 JU financial rules. In addition, EUR 155 966 became available from decommitments of open commitments coming from 2018. This amount was already included in the 2020 initial budget.

Unused commitment appropriations came mainly from service contracts as, in the absence of an agreement with the CAS regarding the payment modalities, there was no charge for audits ordered by the FCH, as provided for in the initial budget. Furthermore, budget line 12 (expenditure related to recruitment) included provision for two seconded national experts (SNEs). However only one SNE was recruited in November 2019, hence the observed unused appropriations. In addition, the cost of evaluators in 2019 fell by nearly EUR 40 000 compared to 2018 costs, which explains the lower execution in this budget line (28).

Operational expenditure

H2020 commitment appropriations for operational expenses intended to cover for the call 2019, studies as included in the AWP 2019, the work of JRC and the European Hydrogen Safety Panel. The H2020 commitment execution rate reached 86.3%. The total unused appropriations are due to the fact that two topics from call 2019 were not covered. The

majority of the unused appropriations (in total EUR 11 651 644) have already been reactivated in 2020 budget. A small balance resulting from the Mission Innovation study (EUR 10 000) will be reactivated in the 2020 budget through an amendment.

The entire budget for H2020 payments was used (100 % execution), which is by far the best result in FCH JU history.

Regarding **FP7** operational costs, the execution rate on the payment appropriations reached 95.1%, which marks the best performance in FCH history. The unused payment appropriations of EUR 300 000 will be reactivated in 2020 budget through amendment.

The following table presents in more details the implementation of the final budget.

Table 4: Budget implementation per budget line

Title Chapter Article Item	Heading	Commitment			Payment		
		Commitment appropriations (in EUR)	Committed (in EUR)	% execution	Payment appropriations (in EUR)	Paid (in EUR)	% execution
1 1	Staff in active employment	3,213,019	3,137,163	97.6%	3,348,260	3,131,151	93.5%
1 2	Expenditure related to recruitment	107,000	13,843	12.9%	107,000	13,843	12.9%
1 3	Missions and travel	180,000	180,000	100.0%	181,467	157,550	86.8%
1 4	Sociomedical infrastructure	42,000	39,533	94.1%	44,809	35,865	80.0%
1 5	Entertainment and representation expenses	5,600	3,338	59.6%	5,600	3,338	59.6%
Total Title 1	Staff expenditure	3,547,619	3,373,877	95.1%	3,687,137	3,341,747	90.6%
2 0	Investments in immovable property, rental of buildings and associated cost	357,606	353,563	98.9%	388,832	347,109	89.3%
2 1	Information technology	388,242	354,473	91.3%	597,889	291,122	48.7%
2 2	Movable property and associated costs	0	0	0.0%	0	0	0.0%
2 3	Current administrative expenditure	4,500	3,322	73.8%	5,701	3,388	59.4%
2 4	Correspondence, postage and telecommunications	13,000	10,660	82.0%	20,359	7,297	35.8%
2 5	Expenditure on formal and other meetings	92,299	48,184	52.2%	95,010	46,431	48.9%
2 6	Communication costs	633,705	569,720	89.9%	872,541	508,306	58.3%
2 7	Service contracts	231,923	119,250	51.4%	392,836	81,126	20.7%
2 8	Expert contracts and meetings	403,860	321,259	79.5%	426,794	316,475	74.2%
Total Title 2	Infrastructure	2,125,134	1,780,432	83.8%	2,799,962	1,601,255	57.2%
Total Title 1+2	Administrative expenditure	5,672,753	5,154,309	90.9%	6,487,099	4,943,002	76.2%
3 0 0 1	Implementing the research agenda of FCH JU: FP7	764,153	0	0.0%	6,105,092	5,805,092	95.1%
3 0 0 2	Implementing the research agenda of FCH JU: H2020	85,293,679	73,642,035	86.3%	101,263,790	101,263,790	100.0%
Total Title 3	Operational expenditure	86,057,832	73,642,035	85.6%	107,368,882	107,068,882	99.7%
Total budget implementation		91,730,585	78,796,344	85.9%	113,855,981	112,011,884	98.4%

The following table shows that the budget implementation complied with FCH 2 JU priority rules for the use of fund sources (C2→C1→C4). C2 fund source was fully committed. From Title 2 an amount of EUR 79 849 is left from the budget line for service contracts, in which no C1 commitments were done.

Table 5: Budget implementation per fund source

	Commitment appropriations (in EUR)	Committed (in EUR)	% committed	Payment appropriations (in EUR)	Paid (in EUR)	% paid
C1						
Title 1	3,277,646.00	3,103,923.09	94.70%	3,277,646.00	2,932,275.30	89.46%
Title 2	2,091,905.00	1,762,023.37	84.23%	2,091,905.00	1,006,276.17	48.10%
<i>Subtotal</i>	<i>5,369,551.00</i>	<i>4,865,946.46</i>	<i>90.62%</i>	<i>5,369,551.00</i>	<i>3,938,551.47</i>	<i>73.35%</i>
Title 3 (FP7)	-	-	0%	265,184.15	265,184.15	100.00%
Title 3 (H2020)	81,723,069.00	70,112,813.38	85.79%	98,602,897.85	98,602,897.85	100.00%
Total C1	87,092,620.00	74,978,759.84	86.09%	104,237,633.00	102,806,633.47	98.63%
C2						
Title 1	269,954.09	269,954.09	100.00%	409,472.11	409,472.11	100.00%
Title 2	-	-	0%	674,827.26	594,978.50	88.17%
<i>Subtotal</i>	<i>269,954.09</i>	<i>269,954.09</i>	<i>100.00%</i>	<i>1,084,299.37</i>	<i>1,004,450.61</i>	<i>92.64%</i>
Title 3 (FP7)			0%	5,075,754.86	5,075,754.86	100.00%
Title 3 (H2020)	3,529,221.36	3,529,221.36	100.00%	2,619,504.01	2,619,504.01	100.00%
Total C2	3,799,175.45	3,799,175.45	100.00%	8,779,558.24	8,699,709.48	99.09%
C4						
Title 1	18.72	-	0%	18.72		0.00%
Title 2	33,229.43	18,408.48	55.40%	33,229.43	0	0.00%
<i>Subtotal</i>	<i>33,248.15</i>	<i>18,408.48</i>	<i>55.37%</i>	<i>33,248.15</i>	<i>0.00</i>	<i>0.00%</i>
Title 3 (FP7)	764,152.89		0.00%	764,152.89	464,152.89	60.74%
Title 3 (H2020)	41,388.57		0.00%	41,388.57	41,388.57	100.00%
Total C4	838,789.61	18,408.48	2.19%	838,789.61	505,541.46	60.27%
C8						
Title 1	139,518.02	93,835.19	67.26%	-	-	0%
Title 2	674,827.26	564,544.07	83.66%	-	-	0%
<i>Subtotal</i>	<i>814,345.28</i>	<i>658,379.26</i>	<i>80.85%</i>	<i>0.00</i>	<i>0.00</i>	<i>0%</i>
Title 3 (FP7)	41,343,210.71	41,343,210.71	100.00%			0%
Title 3 (H2020)	178,728,129.00	177,595,463.86	99.37%			0%
Total C8	220,885,684.99	219,597,053.83	99.42%	0.00	0.00	0%
TOTAL	312,616,270.05	298,393,397.60	95.45%	113,855,980.85	112,011,884.41	98.38%

2. MULTI-ANNUAL OVERVIEW

The following tables provide an overview of the overall Programme implementation until 31 December 2019, with a split between FP7 and H2020, as well as a schedule of payments due in subsequent years.

2.1 Overall FP7 budget implementation

Regarding FP7 operational costs, the overall execution rate until 31/12/2019 reaches **92.6%**. In the summary table below, it should be noted that operational commitments refer to individual commitments for grants and studies. The amounts showed under ‘Subsequent years’ represent the remaining obligations under the open Grant Agreements. From the total 155 grant agreements signed, 1 project was cancelled, final payments were made for 149 projects and 5 projects remain open. In addition, 12 operational studies were conducted.

With regards to administrative costs, all committed amounts were paid out by the end of 2019.

Table 6: Implementation of FP7 appropriations (in EUR)

Type	Execution until 31/12/2019	Subsequent years	Total
Commitments (operational costs)	450,851,384		450,851,384
Payments (operational costs)	415,313,265	10,825,034	426,138,299
Cumulative execution (operational costs)	92.1%	94.5%	94.5%
Commitments (administrative costs)	30,658,610		30,658,610
Payments (administrative costs)	30,658,610		30,658,610
Cumulative execution (administrative costs)	100.0%	100.0%	100.0%
Overall FP7 execution	92.6%	94.9%	94.9%

2.2 Overall H2020 budget implementation

Regarding H2020 operational costs, the amount committed at the end of 2019 refers to the 109 individual commitments for H2020 projects, 18 studies contracted, 2 annual commitments for the European Hydrogen Safety Panel, 4 commitments for the JRC's annual work as well as 1 commitment for acquisition of the registry in certificates.

With regards to administrative costs, an amount of EUR 869 686 was committed in 2018 and 2019 but not paid, as services are ongoing and/or invoices pending; therefore, this will be carried forward to 2020 to meet remaining obligations.

Table 7: Implementation of H2020 appropriations (in EUR)

Type	Execution until 31/12/2019	Subsequent years	Total
Commitments (operational costs)	550,624,578	95,375,422	646,000,000
Payments (operational costs)	402,450,870	243,549,130	646,000,000
Cumulative execution (operational costs)	73.1%	100.0%	100.0%
Commitments (administrative costs)	11,341,355	26,658,645	38,000,000
Payments (administrative costs)	10,471,669	27,528,331	38,000,000
Cumulative execution (administrative costs)	92.3%	100.0%	100.0%
Overall H2020 execution	73.5%	100.0%	100.0%

2.4 Operational budget implementation

The following table presents an overview of the commitments and payments executed for operational expenses (calls, studies, contribution to JRC annual work plan) until 31 December 2019.

It should be noted that it refers to individual commitments done, so it excludes the balances of the global commitments for the studies of AWP 2019.

Table 8: Overview of calls and studies financial implementation (in EUR)

FP7														
		PAYMENTS PER YEAR											Total paid	Outstanding amount
Call	Amount Committed	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019		
2008	27,308,579	17,298,820	553,941	2,077,918	1,419,710	508,154	2,526,053	973,118	0	0			25,357,714	1,950,865
2009	72,616,486		39,340,166	3,308,584	3,461,450	4,738,071	6,542,048	5,474,876	0	6,139,482			69,004,676	3,611,810
2010	80,584,946			47,755,812	563,652	3,825,816	7,639,985	2,964,797	4,147,126	1,688,961	78,523		68,664,673	11,920,273
2011	114,693,516				44,782,934	2,927,385	11,493,273	14,689,648	17,206,770	8,021,999	7,235,431	1,797,017	108,154,457	6,539,060
2012	67,981,819					28,151,279	2,210,121	12,443,874	9,481,543	5,217,509	4,388,382	1,047,496	62,940,205	5,041,614
2013	82,276,365						35,358,776	7,619,684	14,075,000	6,059,670	9,728,160	2,960,579	75,801,868	6,474,497
Total FP7 call	445,461,712	17,298,820	39,894,107	53,142,314	50,227,746	40,150,706	65,770,255	44,165,997	44,910,439	27,127,621	21,430,496	5,805,092	409,923,593	35,538,119
Studies	Amount Committed	2009	2010	2011	2012	2013	2014	2015	2016	2017				
2010-2013	5,389,672			120,888	1,215,150	541,076	3,034,330	478,228	0	0			5,389,672	0
Total FP7 (call + studies)	450,851,384	17,298,820	39,894,107	53,263,202	51,442,896	40,691,782	68,804,585	44,644,225	44,910,439	27,127,621	21,430,496	5,805,092	415,313,265	35,538,119

H2020														
		PAYMENTS PER YEAR											Total paid	Outstanding amount
Call	Amount Committed	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019		
2014	81,074,487							29,447,633		24,300,509	6,701,094	13,775,667	74,224,903	6,849,585
2015	109,904,751								46,824,892	8,407,993	26,086,520	16,433,083	97,752,488	12,152,263
2016	93,978,023									49,734,575	7,702,732	2,993,135	60,430,442	33,547,581
2017	114,318,293									61,104,629	5,804,169	10,875,957	77,784,755	36,533,538
2018	71,610,138										29,966,235	12,400,000	42,366,234	29,243,903
2019	69,129,862											42,385,876	42,385,876	26,743,986
Total H2020 calls	540,015,553	0	0	0	0	0	0	29,447,633	46,824,892	143,547,705	76,260,749	98,863,718	394,944,697	145,070,856
Studies	Amount Committed	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total paid	Outstanding amount
AWP 2014	98,500							98,500					98,500	0
AWP 2015	1,226,615							90,000	526,558	496,558	113,500		1,226,615	0
AWP 2017	2,744,314									498,510	1,359,825	740,210	2,598,544	145,770
AWP 2018	1,547,910										90,000	584,373	674,373	873,537
AWP 2019	1,517,080											150,000	150,000	1,367,080
JRC	Amount Committed	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total paid	Outstanding amount
2016	517,542								306,250	211,292			517,542	0
2017	798,497									499,872	298,625		798,497	0
2018	876,923										450,000	426,923	876,923	0
2019	1,000,000											435,000	435,000	565,000
European Hydrogen Safety Panel	Amount Committed	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total paid	Outstanding amount
2018	86,551										66,611	19,940	86,551	0
2019	195,093											43,627	43,627	151,466
Total H2020 (call + studies+JRC)	550,624,578	0	0	0	0	0	0	29,636,133	47,657,699	145,253,936	78,639,310	101,263,790	401,822,242	148,173,709

3. REVENUE

In 2019 the main sources of revenue are identified as follows:

Union contribution

This refers to the subsidy that the JU receives from the European Commission. This amounts to 470 M € in total (450 M € for the operational and 20 M € for the administrative needs) for the first mandate of FCH JU¹ and 665 M € in total (646 M € for the operational and 19 M € for the administrative needs) for FCH 2 JU².

The 2019 annual contribution of the Union was:

Administrative costs: EUR 2 684 775 (50% of the 2019 administrative costs)

Operational costs: EUR 98 868 082 in total, with the following split:

- FP7: EUR 250 000
- H2020: EUR 98 618 082

Members other than the Union's contribution

These Members, namely Hydrogen Europe (HE-formerly known as Industry Grouping) and Hydrogen Europe Research (HER-formerly known as Research Grouping), contribute in cash to administrative costs³. Each year, the JU sends out debit notes to these Members to receive their respective contributions to the administrative costs of the JU.

The 2019 annual contribution of these Members to cover the administrative needs of the JU were:

HE: EUR 2 308 907 (43% of the 2019 administrative needs)

HER: EUR 375 869 (7% of the 2019 administrative needs)

The members other than the Union also contribute in-kind.

Recoveries following ex-post audit results and recoveries of prefinancing

Recoveries in 2019 can be grouped in 3 categories:

1) Recoveries of unjustified EU contribution as identified during ex-post audits. FCH 2 JU implements audit findings either by offsetting with a payment due or by issuing debit notes, both accounted for revenues received. There were 3 recoveries following ex-post audits.

¹ As foreseen in Article 5 and Article 21 of the Statutes of the Council Regulation (EC) No 521/2008 of 30 May 2008 setting up the Fuel Cells and Hydrogen Joint Undertaking

² As foreseen in Article 3 and Article 13 of the Statutes of the Council regulation (EU) No 559/2014 of 6 May 2014 establishing the Fuel Cells and Hydrogen 2 Joint Undertaking

³ As specified in Article 4.2(a) and Articles 13(2) and point (b) of article 13(3) of the Statutes of the Council regulation (EU) No 559/2014 of 6 May 2014 establishing the Fuel Cells and Hydrogen 2 Joint Undertaking

2) Recoveries of pre-financing. These recoveries are made when a project is terminated or finished and part of the pre-financing is not cleared. There were 2 recoveries of pre-financing in 2019.

3) Recoveries from other administrative entities: these recoveries are made based on agreements between FCH 2 JU and these entities, where for joint services FCH pays the total amount due and then recovers from entities their share.

It is also noted that in 2019 there was 1 decision to waive recovery of established amounts⁴.

The following table summarises the sources of revenue whereas table 10 provides a breakdown of the other recoveries:

Table 9: Revenue breakdown (in EUR)

Heading	Income appropriation (budgeted)	Cashed
Operational expenditure, Union	98,868,082	98,868,082
Administrative expenditure, Union	2,684,775	2,684,775
Administrative expenditure, IG	2,308,907	2,308,907
Administrative expenditure, RG	375,869	375,869
Recoveries	838,790	847,491
Reactivation of appropriations	8,779,558	
TOTAL	113,855,981	105,085,124

Table 10: Breakdown of recoveries other than Members' contributions (in EUR)

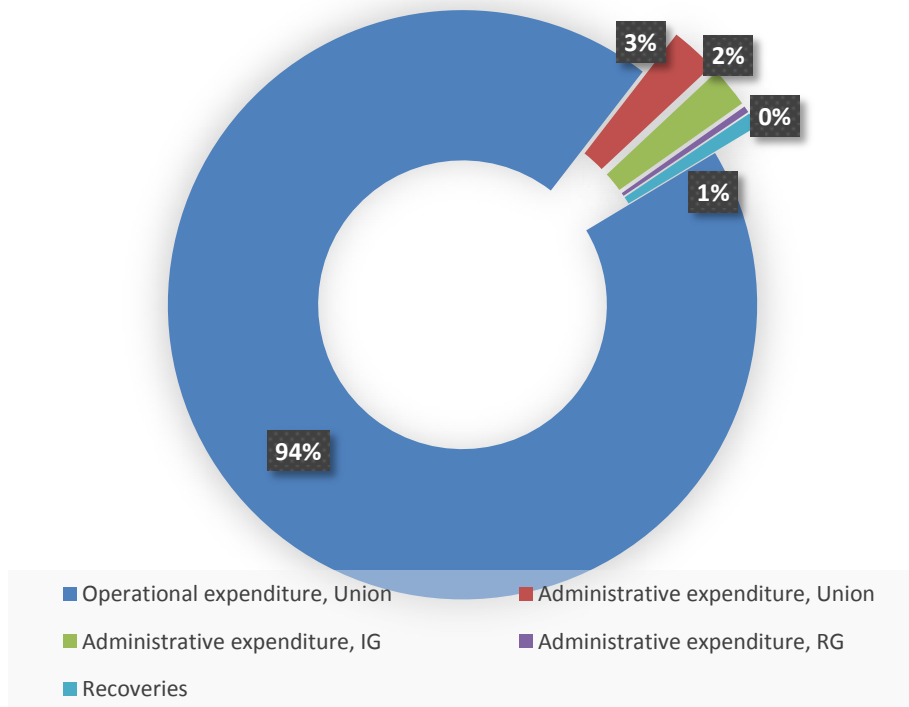
Heading	Amount
Unjustified contribution to projects (ex-post audits)	189,062
Liquidated damages, bank account interests and other interests	8,702
Recovery from supplier (administrative costs)	33,248
Recoveries of pre-financing following project/beneficiaries finalisation	616,459

⁴ Requirement according to Article 31.2 of the Financial Rules

Total	847,491
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The following chart illustrates the breakdown of revenue by contributor

Chart 3: Breakdown of revenue cashed by contributor



4. BUDGET RESULT 2019

The budget result for the financial year corresponds to the total revenues cashed during the year deducting the total payments made during the year, adding or deducting the exchange rate differences. It does not take into account previous years' balances.

For 2019, there is a budget deficit of EUR 6 926 831.

Table 11: 2019 Budget result (in EUR)

	2019	2018
Revenue		
European Union Contribution	101,552,857	100,024,460
Hydrogen Europe Contribution	2,308,907	2,014,054
Hydrogen Europe Research Contribution	375,869	327,869
Other revenue	847,491	2,265,498
Total revenue (1)	105,085,124	104,631,881
Expenditure		
Staff expenditure - Title 1	(3,341,747)	(3,163,907)
Administrative expenses - Title 2	(1,601,255)	(1,833,960)
Operational expenses - Title 3	(107,068,882)	(100,069,805)
Total expenditure (2)	(112,011,884)	(105,067,672)
Exchange rate differences (3)	(71)	699
Budget result (4)=(1)-(2)+(3)	(6,926,831)	(435,092)

5. FINANCIAL MANAGEMENT

5.1 Ex-ante controls

FCH 2 JU has developed an ex-ante control system consisting of desk reviews (performed by FCH 2 JU project and finance officers), mid-term reviews carried out by external experts and ad-hoc technical reviews (when deemed necessary).

In 2019 the FCH 2 JU Programme Office validated in total 61 periodic reports (63 in 2018 and 72 in 2017). The overall Time-To-Pay (TTP)⁵ reached 71 days, at the same level as in 2018 (70) and 2017 (68). The gross time to pay (including suspensions due to clarifications and amendments) further improved by 30% compared to 2018 reaching 40 days. This is largely due to the more targeted checks for H2020 reports and therefore faster responses from consortia. The suspension time for H2020 reports was only 30 days on average.

There was no late payment of report in 2019.

9 FP7 reports (6 final and 3 interim) were validated. The average TTP of these reports reached 67 days whereas the gross time (that includes suspensions) 162, therefore the total time for assessment remained at 2018 level.

52 H2020 reports (44 interim and 8 final) were paid in an average TTP of 71 days (76 in 2018), whereas the gross time reached 101 days (96 in 2018).

The FCH 2 JU has developed and continued to apply the procedures developed to define the controls to be performed by project and finance officers for every cost claim, invoice, commitment and payment, taking into account risk-based and cost-effectiveness considerations.

In addition to the strategy adopted and ex-ante measures put in place in previous years, targeted webinars focused on the specificities of each project took place in 2019.

5.2 Ex-post controls

In 2019, the Programme Office selected 22 new corrective and representative H2020 ex-post audits in cooperation with CAS. In addition, FCH 2 JU launched the 12th batch for FP7 including 4 representative audits.

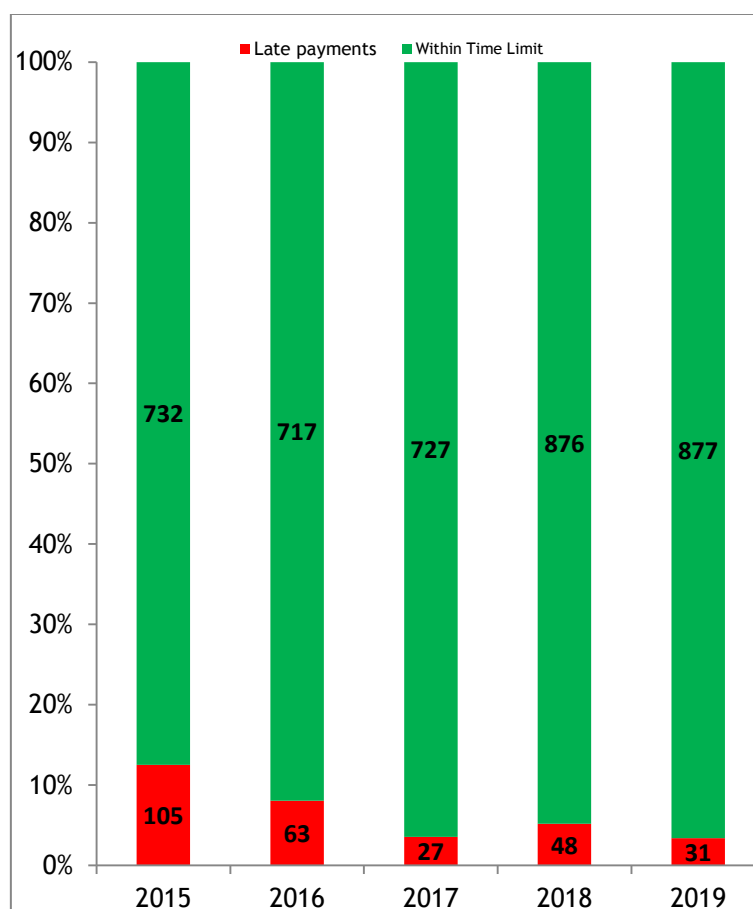
⁵ As defined in Article 111 of the Rules of Application of the Financial Regulation, the net time to pay shall be understood that includes validation, authorisation and payment of expenditure, shall begin to run from the date on which a payment request is received and shall not take into account suspension periods

5.3 Administrative payments

In 2019, the Programme Office processed 908 administrative invoices (from suppliers/contractors) and reimbursement of claims (from experts and from staff mainly for their missions), 96.6% of which were within the time limit of 30 days (94.8% in 2018 and 96% in 2017). The percentage of late payments (3.4%) constitutes the best performance in FCH history. The average time to pay reached 16 days (18 in 2018).

The chart below shows the significant improvement in limiting the number of late payments since 2015.

Chart 4: Evolution of late payments (2015-2019)



5.4 Amendments

FCH financial management also includes the processing of project amendments.

In 2019, the Executive Director signed or rejected 4 FP7 amendments and 51 H2020 ones.

5.5 Procurement

The tender and contract management is simplified as far as possible by joining inter-institutional procurement procedures launched by the Commission and by using the resulting multiannual framework contracts. FCH 2 JU also cooperates with other Joint Undertakings in tendering needs in order to minimise administrative effort. These

framework contracts have been concluded mainly in the field of IT services and interim staff provision.

In 2019 FCH 2 JU signed 22 direct and framework contracts and 32 specific contracts. 1 procedure was ongoing at the end of the year with evaluation of tenders planned in the first quarter of 2020.

6. GLOSSARY

Definitions, explanations, abbreviations and acronyms used in the report are provided in the table below.

Term	Definition
ABAC	This is the name given to the Commission's accounting system, which since 2005 has been enriched by accrual accounting rules. Apart from the cash-based budget accounts, the Commission produces accrual-based accounts which recognise revenue when earned, rather than when collected. Expenses are recognised when incurred rather than when paid. This contrasts with cash basis budgetary accounting that recognises transactions and other events only when cash is received or paid.
Amending budget	Decision adopted during the budget year to amend (increase, decrease, transfer) aspects of the adopted budget of that year.
Appropriations	Budget funding. The budget forecasts both commitments (legal pledges to provide finance, provided that certain conditions are fulfilled) and payments (cash or bank transfers to the beneficiaries). Appropriations for commitments and payments often differ – differentiated appropriations – because multiannual programmes and projects are usually fully committed in the year they are decided and are paid over the years as the implementation of the programme and project progresses. Non-differentiated appropriations apply to administrative expenditure, for agricultural market support and direct payments and commitment appropriations equal payment appropriations.
Assigned revenue External/Internal	Dedicated revenue received to finance specific items of expenditure. Main sources of external assigned revenue are financial contributions from third countries to programmes financed by the Union. Main sources of internal assigned revenue is revenue from third parties in respect of goods, services or work supplied at their request; revenue arising from the repayment of amounts wrongly paid The complete list of items constituting assigned revenue is given in the Financial Regulation Art. 21(2).
Budget	Annual financial plan, drawn up according to budgetary principles, that provides forecasts and authorises, for each financial year, an estimate of future costs and revenue and expenditures and their detailed description and justification, the latter included in budgetary remarks.
Budget result	The difference between income received and amounts paid, including adjustments for carry-overs, cancellations and exchange rate differences. The resulting amount will have to be reimbursed to the funding authority as provided in the Financial Regulation for Agencies.
Budget implementation	Consumption of the budget through expenditure and revenue operations.
Budget line	As far as the budget structure is concerned, revenue and expenditure are shown in the budget in accordance with a binding nomenclature which reflects the nature and purpose of each item, as imposed by the budgetary authority. The individual headings (title, chapter, article or item) provide a formal description of the nomenclature.
Budgetary commitment	A budgetary commitment is a reservation of appropriations to cover for subsequent expenses.
Carryover of appropriations	Exception to the principle of annuality in so far as appropriations that could not be used in a given budget year may, under strict conditions, be exceptionally carried over for use during the following year(s).
Commitment appropriations (CA)	Commitment appropriations cover the total cost of legal obligations (contracts, grant agreements/decisions) that could be signed in the current financial year. Art. 7 FR: Commitment appropriations cover the total cost in the current financial year of legal obligations (contracts, grant agreements/decisions) entered into for operations extending over more than one year.

Term	Definition
Exchange rate difference	The difference resulting from currency exchange rates applied to the transactions concerning countries outside the euro area, or from the revaluation of assets and liabilities in foreign currency at the closure.
Expenditure	Term used to describe spending the budget from all types of funds sources.
Financial regulation (FR)	Adopted through the ordinary legislative procedure after consulting the European Court of Auditors, this regulation lays down the rules for the establishment and implementation of the general budget of the European Union. (OJ L 298, 26.10.2012, p. 1)
Funds Source	Type of appropriations in ABAC; FCH uses C1, C2, C4 and C8
Grants	Direct financial contributions, by way of donation, from the budget in order to finance either an action intended to help achieve an objective part of an EU policy or the functioning of a body which pursues an aim of general European interest or has an objective forming part of an EU policy.
Implementation	Cf. Budget implementation
Income	Cf. Revenue
Joint Undertakings (JUs)	A legal EU-body established under the TFEU. The term can be used to describe any collaborative structure proposed for the "efficient execution of Union research, technological development and demonstration programmes".
Liquidated damages	Liquidated damages are due where a beneficiary has overstated costs and has in consequence received unjustified EU contribution (meaning actual payment and clearing of the pre-financing). The legal basis for their claim in projects under FP7 is Article II.24 of the FP7 Model GA.
Operational appropriations	Operational appropriations finance the different policies, mainly in the form of grants or procurement.
Outstanding commitment	Legal commitments having not fully given rise to liquidation by payments. Cf. RAL.
Payment	A payment is a cash disbursement to honour legal obligations.
Payment appropriations (PA)	Payment appropriations cover expenditure due in the current year, arising from legal commitments entered in the current year and/or earlier years (Art. 7 FR).
Recovery	The recovery order is the procedure by which the Authorising officer (AO) registers an entitlement by the Commission in order to retrieve the amount which is due. The entitlement is the right that the Commission has to claim the sum which is due by a debtor, usually a beneficiary.
Result	Cf. Outturn
Revenue	Term used to describe income from all sources financing the budget.
Surplus	Positive difference between revenue and expenditure (see Budget result) which has to be returned to the funding authority as provided in the Financial Regulation.
Transfer	Transfers between budget lines imply the relocation of appropriations from one budget line to another, in the course of the financial year, and thereby they constitute an exception to the budgetary principle of specification. They are, however, expressly authorised by the Treaty on the Functioning of the European Union under the conditions laid down in the Financial Regulation. The FR identifies different types of transfers depending on whether they are between or within budget titles, chapters, articles or headings and require different levels of authorization.