

Simplifying the implementation of the Research Framework Programs

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ITRE Committee

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President,

Ladies and Gentlemen,

Good Morning,

The research community urgently calls for a harmonization of the rules and procedures and a general simplification of the financial accountability requirements.

Recently, 9 000 researchers put their name to a petition urgently requiring more simplification and trust in EU research funding. This is a generalized feeling amongst researchers, academics and industry members.

In other words there is a real demand for improvement and in the streamlining of research funding and administration. Our work here has genuine relevance and urgency as a result. Our report is particularly timely, given that we are now just about to begin the interim evaluation of the FP7 and to start on the preparation for the FP8. Hopefully, our report will provide a firm foundation upon which we can subsequently build.

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Today, there are three main things I should like to do:

- 1) Firstly summarize the Commission Report and to point out strengths and weaknesses
- 2) Secondly, draw the attention to the existing recommendations made by the ITRE working Group on the FP7 implementation
- 3) Thirdly, I shall make proposals that in my opinion represent the best way to simplify the implementation of the research framework programs.

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Commission Report:

We appreciate the efforts made by the European Commission in order to address the administrative burdens experienced by participants in the research Framework Programs. We also welcome the communication on simplification which sets out a serious and creative plan for a reform addressing many of the difficulties.

The Commission report is well organized and well thought out. In particular, it allows for the establishment of priorities and gives a clear step by step approach to dealing with the problem.

Let me give you a brief outline of key points:

There are three levels of simplification.

- 1) Firstly, simplification within the current rules.
- 2) Secondly, adapting the rules in line with the current cost base system.
- 3) Thirdly, a possible future simplification. This involves a more radical overhaul of the rules.

With regard to Strand 1: "Streamlining proposal and grant management under the existing rules", the Commission has proposed a number of measures to reduce average time-to-grant and time-to-pay through user support, guidance, transparency, better and more efficient IT tools. The Commission is also committed to providing for uniform interpretation and application of the rules and procedures. In order to optimize the structure and timing of calls for proposals, the Commission proposes (a) a more generalize use of calls with larger topics or even (b) open calls with cut-off dates and a more generalized use of two-stage submission and evaluation. Where appropriate, the Commission will allow for smaller consortia and a more extended use of prizes.

In so far as the **Strand 2: "Adapting the rules under the current cost-based system"** is concerned, the Commission proposes a broader acceptance of usual accounting practices, to accept average personnel cost methodologies. This is on condition that they are based on actual personnel costs registered in the accounts and any double funding of costs under other costs categories is excluded They also wish

- to limit the variety of rules, using a common set of basic principles instead of a tailor maid approach;
- to reduce the number of combinations between funding rates, organization types and activity types and reduce the number of methods for determining indirect costs;
- to simplify the treatment of interest gained from pre-financing payments;
- to encourage a wider use of lump sum elements.

Under this Strand, the Commission would like to eliminate the Committees of Member States representatives whose role is to provide opinions on the selection decisions on individual projects in order to accelerate the project selection.

Turning now to the third strand **"Moving towards result-based instead of cost-based funding"**, the Commission suggests three options for exploring result-based approaches:

- 1) Project-specific lump sums as a contribution to project costs estimated during grant evaluation/negotiation and paid against agreed output/results. The lump sum would be paid on the basis of the acceptance of the agreed output/result.
- 2) The publication of calls with pre-defined lump sums per project in a given subject area and selection of the proposals promising the highest scientific output for the specified lump sum.
- 3) A high-trust "award" approach consisting in distributing a pre-defined lump sums per project without further control by the Commission.

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The main criticisms concerns two main aspects:

The relation of the proposed changes to the existing financial regulations is unclear. Let me explain, some of the measures proposed by the Commission require changes in the financial regulation, others require changes in the rules for participation, some in both and some rules do not require any changes.

Secondly, I am concerned about the link between funding and results. I appreciate the openness of the European Commission to reconsidering the funding rules of its research programs. However, I believe that changes are to be considered carefully and thoughtfully, taking into account not only financial and administrative motives and consequences for beneficiaries, but also the possible impact on quality of research and innovation itself. I am concerned that the option for result-based funding might result in less risky projects and more close to market research. We need more innovation in Europe, but we have to keep the firm basis of frontier research. Without excellence in research there is no innovation.

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Looking into more detail to the Commission proposals:

Under strands 1 ("stream lining proposal and grant management under the existing rules").

- I support the full integration of grants, evaluations and proposals into a unique IT platform.
- I welcome the commitment of the Commission to ensuring uniform interpretation and application of rules and procedures across all programs.
- In order to optimize the structure and timing of calls for proposals, the commission proposes a more generalized use of two-stage proposals. Two-stage submission can reduce the burden of drafting full proposals, but may also increase the length and complexity of the submission process. Therefore, the two-stage process needs to be optimized. Furthermore, the evaluation of such proposals should be done thoroughly, which does not always appear to be the case. The Future and Emerging Technologies open scheme may be a good example.
- Reducing the size of the consortia whenever possible would contribute to the simplification.

- The more extended use of prizes by means of a bonus is useful, but this practice should not be generalized as this implies that the early stages of research would have to be financed by the partners and most universities and research centers rely on external funds to perform research.

Under Strand 2 ("Adapting the rules under the current cost-based system")

- I support the proposal for broader acceptance of usual accounting procedures for eligible actual costs and in particular for the use of average personnel costs, with a free choice for each beneficiary to make use of either actual personnel costs or average personnel costs methodology.
- I support the idea of implementing the same funding rates and indirect costs calculation methods across all financing schemes. Simplification lies in uniform rules across all funding schemes. However, the funding rates and indirect costs calculation models should be different for universities, research organizations and industry, because costs differ considerably between these kinds of entities.
- The proposal to remove the obligation to recover interest on pre-financing would immediately reduce complexity and it is most welcome.
- I am in favor of introducing lump sums for "other direct costs". However, the proposal of use of lump sums for personnel costs requires detailed analysis.
- Reductions of time-to-grant is very much welcome. The Commission proposal to remove the requirement for member states to provide opinions on selection decision needs further analysis, as it is important that member states have the opportunity to have a power of scrutiny. Furthermore, the ethical evaluation should not be abolished.

Under Strand 3 ("moving towards result-based instead cost-based funding")

Let me briefly comment on the three options suggested by the commission:

- Project specific lump sums paid against agreed output/results would certainly reduce the accounting administration but would require difficult negotiations and significant efforts on the measurement of the actual results against those expected. The concept of "best effort" is vague as a basis for funding.
- Pre-defined lump sums paid against highest scientific output would introduce a welcome additional element of competition. However, this approach may encourage a lower funding rate and could also promote the "over-promise". Another pitfall of this option is that it will result in projects carried out by consortia that are able to invest considerably in the project, in addition to the lump sum, which may exclude universities, research centers and SMEs.
- The high-trust approach (option 3) is the most appropriated and brings about the greatest reduction in administrative burden. It is specially adapted to frontier

research, as in the ERC. For collaborative projects, this option could be considered, as long as each partner is responsible for their own actions. A potential disadvantage could be that new actors may find it more difficult to enter the funding programs.

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So that concludes what I have to say with regard to the Commission report. Turning now to existing work in progress, I shall be brief. As you are no doubt aware, there is a working group at the ITRE level that has already produced a number of recommendations. The key recommendations are:

1) For the FP7: no radical change of rules in the current framework program; remove obligation to open interest-bearing bank accounts; no use of lump sums in the current FP7.

2) More radical simplification in FP8: Acceptance of the national definition of “Public body”; acceptance of national accounting practices.

We should of course take this into consideration.

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This leaves the third aspect to what I should like to speak to you about today. These are the proposals that I feel represent the best way of proceeding.

- 1) Instead of a result based approach, I would propose a science-based funding system with a simplification of the control of the financial side and an emphasis on the scientific-technical side and peer review based on excellence.
- 2) The reduction of the complexity of the EU research funding landscape would constitute a major source of simplification. The European Parliament, in its discharge resolution for 2007, drew attention to the increase in diversity it also called for an assessment of the problems for the beneficiaries, including lack of transparency.
- 3) It is necessary to stipulate for each measure whether a change in the financial regulation or in the rules for participation is required or not and if the measure would be applied to FP7 or only to the FP8. For FP7, I would be in favor of phasing these changes in gradually. We must avoid sudden drastic changes in direction within the same framework program.
- 4) Harmonization of the rules and procedures across all mechanism – The same set of rules, procedures and legal provisions should be used for programs like ERA-net, Article 185, Joint Technology Initiatives and the “traditional schemes” of the FP. The implementation of the rules across the 4 European Commission Directorates-General and Agencies as well as the Joint Undertakings implementing the JTIs should be uniform. However, we should have a set of rules for research centers and universities, a set of rules for industry and a set of rules for SMEs.
- 5) Simplification of the financial accountability requirements: a more trust-based and risk-tolerant approach in European research funding; acceptance of the usual

accounting and management principles and practices of the beneficiary; acceptance of audits and certificates on the methodology provided by national authorities.

- 6) Improvement of access to the program and user support: improvement of the guidance material (less jargon; consistency of the terminology); optimization of the IT-systems supporting project management; personalized support by the EU Project Officer (keep the same project officer throughout the lifetime of the project).
- 7) Faster execution and optimized timing of deadlines: better timing of the call publication; earlier access to draft Work Programs; reduce the time to grant and to pay.

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So to conclude, European research programs should be governed by a spirit of confidence and trust in scientific and business community and their inventive and innovative capacities. A better balance between trust and control and between risk taking and risk avoidance is required, while ensuring sound financial management. We need a new evaluation culture which requires a trust-based partnership among all the partners in order to strengthen Europe in making it an attractive working place. I look forward the contribution of all.