



# Position of the Flemish Research Institutions on COM(2010) 187 (29 April 2010)

## “Simplifying the implementation of the research Framework Programmes”

May 2010

### Introduction

Recently, the results from the consultation of the European Commission on simplifying the implementation of the research Framework Programmes have been published:

[http://ec.europa.eu/research/consultations/fp-simplification/outcome\\_summary\\_en.pdf](http://ec.europa.eu/research/consultations/fp-simplification/outcome_summary_en.pdf)). The call for a harmonization of the rules and procedures across all research funding mechanisms and a general simplification of the financial accountability requirements is particularly welcomed. Also, a declaration was published online (<http://www.trust-researchers.eu/>) to the attention of the European Council of Ministers and the Parliament, stating that the administrative burden and the financial regulations of European research funding should be simplified. Following these initiatives, the 5 Flemish universities (Katholieke Universiteit Leuven, Universiteit Gent, Universiteit Antwerpen, Universiteit Hasselt, Vrije Universiteit Brussel) and the 4 strategic research centres in Flanders (IMEC, VIB, IBBT, VITO), wish to contribute to the debate and to the further developments that will follow the Commission’s Communication on Simplification, with the position paper below.

It is obvious that simplification is to benefit both the beneficiaries and the Commission. Not all of the simplification steps taken so far have had a positive impact on the beneficiaries. As such we stress the importance of a careful approach in the further developments that will follow this communication. As we understand, the Commission is open for discussion and debate on the different approaches proposed. The Flemish research institutions are most willing to contribute further to the debate.

Simplification should not be regarded as an objective as such, but as a means to allow active involvement of various organizations in the Framework Programme, in order to generate knowledge and feed the knowledge-based and innovation-driven economy. Consideration for the nature and role of various kinds of organizations is to be taken into account in the further simplification process.

**In summary**, the Flemish research community prefers the following simplification measures,

***Under strand 1*** (“Streamlining proposal and grant management under the existing rules”):

- Ensure uniform interpretation of rules and regulations in all research funding programmes within or related to the Framework Programme.
- Extend the time between call and deadline to 6 months and limit the time between the submission of the project and start of the project activities to 10 months.
- Introduce more two-stage proposal submission approaches.
- Reduce the size of the consortia.

***Under strand 2*** (“Adapting the rules under the current cost-based system”):

- Harmonize the participation rules and financial regulations across all research funding programmes supported by the Commission.
- Keep tailor-made funding rates and indirect cost models for universities, research organisations and industry, corresponding to cost reality. Allow the beneficiary to choose the best approach for setting-up its budget and performing cost declaration, a “one-size-fits-all” approach for funding instruments is not acceptable.
- Consider actual costs as eligible when registered in the official accounts of the beneficiary, compliant with national accounting and auditing standards.
- For those organisations that used the average personnel cost methodology, simplify the implementation criteria.
- Foresee the possibility for a lump (“fixed”) sum approach based on actual salary costs (actual personnel cost, actual salary tables, average personnel cost) of each organisation (e.g. **not** following the Marie Curie model).
- Foresee the possibility for a lump (“fixed”) sum for other direct costs based on a certain percentage of the personnel cost or based on actual direct costs of each organisation.
- Be more flexible on the timesheet approach.
- Remove the obligation to recover interest in pre-financing.

***Under strand 3*** (“Moving towards result-based instead of cost-based funding”):

- Regard with specific care and concern the shift of the EC’s control focus from the financial side to the scientific-technical side:
  - Foresee consultation and open debate with the research community;
  - Learn from existing international research funding models, e.g. ESA or NIH.
- Consider a “high trust” certification for a cost-based research funding approach, e.g. NIH model (this would be a fourth option, next to the ones mentioned in COM(2010)187).

Below, we discuss in detail the three main strands as proposed by the Commission in the communication 187 on simplification.

## **1. Strand 1: streamlining proposal and grant management under the existing rules**

### 1) User support, guidance, transparency, IT-tools and processes

We appreciate the introduction of the Research Participant Portal. It will hopefully integrate most tools on proposal submission, evaluation and grant management. The **use of the Participant Portal should be expanded** to research, education and innovation related community-funded projects managed by all the Commission's Directorate Generals and related agencies.

We have some additional suggestions for improvement:

- The Legal Entity Appointed Representatives (LEAR) of an organization should be able to see all proposals which are to be submitted as soon as their PIC code is linked to a new EPSS account, in other words: before submission of the proposal. Projects should be listed separately according to their stage (proposal preparation, proposal evaluation, grant negotiation, reporting)
- A more elaborate and accessible European Commission Authentication Service (ECAS) helpdesk and FAQ page are needed, that beneficiaries can turn to with specific questions.

Improvements on the clarity and accessibility of guidance documents and services would be greatly appreciated. A reduction of the number of pages to read would also lower the threshold for new researchers to apply in the Framework Programme. We also hope for a consistent use of FP7 definitions (e.g. Grant Agreement, Foreground) throughout the next Framework Programme.

### 2) Uniform application of rules

We welcome the commitment of the Commission to ensure uniform interpretation and application of the rules and procedures. We also hope that the Commission will be able to ensure **uniform rules and regulations across all programmes** within or related to the Framework Programme, including ERA-NET Plus, JTI (article 187 initiatives) and other PPPs, article 185 initiatives, JPI (Joint Programming Initiatives), JRI (Joint Research Initiatives), Knowledge and Innovation Communities (KICs) within EIT, which will be managed by different Executive Agencies. The EC should act as a gatekeeper for all these externalized programmes and instruments.

Often, complexity is caused by different interpretations of the rules by different EC Project Officers, EC Auditors or different Executive Agencies and across DGs and units within the same DG. Clear instructions would be a significant step forward in terms of simplification.

The rules for participation for Framework Programme 8 should be clear and fixed at the start. Redefinition of rules in the middle of a Framework Programme can be arranged in worst cases without retroactive impact, but should otherwise be avoided.

### 3) Optimising the structure and timing of calls for proposals

Keeping a similar annual calendar for calls and deadlines is much appreciated and helps to avoid missing specific calls. This could be improved for certain themes or programmes.

It could be considered to extend the time between call and deadline - e.g. to 6 months - to increase the time available for preparing a proposal. This then should be compensated for by a **faster evaluation and contract negotiation procedure**, to limit the time between the submission of the project and the start of the project activities to 10 months (which is currently often between 12 and 18 months).

**More two-stage proposal submissions** would be welcomed, provided that the evaluation of such proposals is done as thoroughly as for one-stage proposals, which currently does not always appear to be the case. Proposals submitted in the first stage could then be limited to the relevance of the objectives, the scientific approach, the competence of the participants and the added value of the scientific collaboration. The extensive description of work packages, deliverables and management of the project should only be described in the full proposal during the second stage. The two-stage submission as foreseen in the FET (Future and Emerging Technologies) Open Scheme is a good example.

4) Adapting sizes of consortia

We agree that **reducing the size of the consortia whenever possible** would contribute to the simplification of EU projects. Larger consortia tend to create even more administration and complexity, often induced by the use of external management consultants. Moreover, the quality of the output and the efficiency of collaboration are often reversed to the size of the consortia.

5) More extended use of prizes

We believe that the use of prizes could be extended by means of a bonus for a very successful project. On the other hand, we are not in favour of implying this method to select projects to be financed, since universities rely on external funds to perform research, and even for research centres it is not easy to start high risk research on own investments only.

## **2. Strand 2: adapting the rules under the current cost-based system**

1) Broader acceptance of usual accounting practices

The idea of considering actual costs as eligible when registered in the official accounts of the beneficiary, compliant with national accounting and auditing standards, is a positive development. As specified in the communication itself, this would minimise the risk of errors and avoid the need for the creation of separate accounting systems for EU projects. It also presupposes an element of trust in national standards and a further delegation of control from the EU to the national level.

The Commission already reduced the number of audit certificates to decrease the administrative burden for the beneficiaries. However, the stringency of the criteria and control seems to have increased, as well as the number of individual communications with the beneficiaries.

2) Average personnel costs

We adhere to the free choice for each beneficiary to make use of either actual personnel costs or average personnel costs methodology to set-up the budget and to perform cost declaration.

The EC's consideration for simplifying the criteria using average personnel cost methodologies is more than welcome. As said in the communication, due to the Commission Decision of June 2009, "the current acceptable criteria can be met only by very few beneficiaries, thereby limiting the intended simplification impact of certifying average costs."

We are in favour of the EC's suggestion to accept an average personnel cost methodology, under the condition that any double funding of costs is avoided, and the methodology is based on the actual payroll cost registered in the statutory accounts and on the usual accounting practices by the beneficiary.

In addition, we propose that when a person is directly recruited for a research project and this is indicated in the signed employment contract, a possible option for an applicant should be that the total staff cost is eligible *without the obligation for delivering timesheets*.

However, the approach were the average cost methodology requires acceptance of the national public authorities is not acceptable for every institution. The reason for the latter is that the applicable funding rules for certain organisations differs between the regional and national agencies and the Commission.

3) Limiting the variety of rules

We support the idea of implementing the **same funding rates and indirect costs calculation methods across all financing schemes supported by the Commission**. Simplification lies in uniform rules across all funding schemes, including ERA-NET Plus, JTI, article 185 initiatives, JPIs, JRIs, KICs, and other PPPs for a certain organization.

However, we strongly object to the suggestion of making funding rates and indirect cost calculation models equal for universities, research organizations and industry, because costs differ considerably between these kind of entities. Consideration of the nature and role of users needs to be taken into account. The beneficiary should be able to choose the best approach for setting-up its budget and performing cost declaration, a one-size-fits-all approach is not acceptable.

It is advisable to insert an example of the composition of the budget of a project in the Guide for Applicants (i.e. per project type). In the People programme this is a current practice. This is especially useful for schemes with difficult budget rules, such as (1) research for the benefit of SMEs, and (2) combination of Collaborative projects and Coordination and Support Actions

4) Interest on pre-financing

We would like to see the obligation to recover interest on pre-financing **removed** for all programmes, and especially for single-beneficiary projects (such as ERC projects).

If the obligation would be retained, it should only be applied to the coordinator and the obligation should be removed for all other partners in the consortium. The coordinator should be obliged to produce a transparent calculation on the interests earned on funding to be transferred to the other beneficiaries. Any such interest is to be forwarded to the beneficiaries.

A time period of one month between payment of the Commission and transfer to the partners should be valuable without obligation to recover interest.

5) More lump-sum elements in the current cost-based approach

We are not in favour of introducing a lump sum as defined within the Marie Curie program.

We believe that the use of **lump (“fixed”) sums for personnel costs** is acceptable if these lump (“fixed”) sums :

- i. are based on actual costs of each organisation taking into account the nature of each organisation (not a one-size-fits-all approach) and accepting the official accounts of the beneficiaries, compliant with national accounting and auditing standards;
- ii. are sufficient to cover the actual gross salary costs of personnel determined according to national and internal remuneration procedures;
- iii. are **not** to be justified by means of actually paid costs and/or timesheets (see also below);
- iv. are not considered as the exact gross salary costs to be spent/paid and reported as is the case in the Marie Curie programme;

As such we agree with the Commission’s suggestion that **time recording could be dropped** if lump sums for personnel per beneficiary, based on an ex ante estimation of the personnel cost per beneficiary for the project were to be established during grant negotiation (the term “fixed sum” might be more appropriate than “lump sum”). However, the declaration of real (average) personnel costs with time-recording should remain an option for beneficiaries.

We are in favour of introducing **lump sums for ‘other direct costs’**, which is common practice in regional funding schemes. This lump sum could be a certain percentage of the personnel costs claimed that differs according to the scientific domain. The option for a higher percentage could be considered, but in this case the actual costs are to be fully accounted for. For other direct costs the option should be open to choose for a lump (“fixed”) sum approach based on actual cost of each organisation. The approach based on a certain percentage as described above is not applicable when the research activities are expensive due to the use of specific infrastructure or consumables.

If no lump sums but real costs remain to be reported, then it would be a great simplification if VAT and taxes from receipts of costs made individually by staff members (e.g. travel and subsistence costs) would be accepted by the Commission. In this case, VAT is an actual cost for the Flemish universities and research centers and not a tax.

6) Accelerating project selection

Any reduction of time-to-grant is obviously very much welcomed. A reduction in the length of the project selection procedure would be positive in terms of efficiency in grant management and would counter the perception in the research community of potential political influences during the selection process.

**3. Strand 3: moving towards result-based instead of cost-based funding**

We appreciate the openness of the European Commission to reconsider the funding rules of its research programmes. However, we 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. **A thorough discussion with stakeholders**, including the science community itself, is essential.

The suggested option to shift the EC's control focus from the financial side to the scientific-technical side is an interesting option to consider, although to be regarded with specific care and some concern from the side of universities and research entities.

First it should be stressed that currently, the European Commission takes into account both the input side and the output side in releasing funding instalments, which seems to be an overcompensation for risks.

Secondly, we believe that requests from the user side for such a drastic shift are largely inspired by the current complexity of the 7<sup>th</sup> Framework Programme's financial regulations. **If the current financial rules were simplified and harmonised across all mechanisms and schemes, beneficiaries might find the need to move to an output-based system less relevant.**

Third, applying an approach of result-based funding should not imply that awardees – research entities more specifically – are bound by more than a “best effort” clause. The outcome of scientific research is by its nature unpredictable and **the absence of an anticipated result is a result in itself.** Measuring output probably ought to be based on certain indicators that are specific, measurable, achievable, relevant and time-bound (cfr. the output indicators in structural funds), which in many cases is not compatible with the unpredictable nature of research. The deliverables should be clearly specified, as is the case e.g. in the FP7 Cooperation program.

Fourth, we should **prevent that the burden will relocate from the administrator to the scientist.**

Below, we discuss the three options suggested in the EC communication in more detail.

1. Project-specific lump sums against agreed output/results/best effort

In this approach, a realistic and accurate estimation of overall costs of the project, the definition of the output (deliverables and milestones), the risk analysis and the financial plan will be an important aspect of the evaluation and negotiation of projects. It must be guarded that this approach will not lead to a significant reduction of the scientific nature of the evaluation, the capital aspect of the current project selection and negotiation procedure. We furthermore believe that the decision whether the agreed output/result/best effort has been

accomplished can only be made on the basis of an **objective peer review, with clearly defined criteria**.

There are also practical concerns: not only is it difficult (in certain types of research even impossible) to predict how a research project will turn out, but the option for **result-based funding might well result in less risky projects** and more close to market research and development. Additionally, the concept of “best effort” is vague as a basis for funding and we are looking forward to see how the European Commission is to appreciate ‘a best effort’ of a given beneficiary.

As an example of good practice, we refer to ESA (European Space Agency), which is already using an output- and risk-driven model for years. It has to be taken into account that ESA focuses on a specific domain dealing with a specific sector and type of organisations. ESA defined Technology Readiness Levels on a scale of 1 to 9. Levels 1 to 4 relate to creative, innovative technologies before or during mission assessment phase, levels 5 to 9 relate to existing technologies and to missions in definition phase. Dependent on the level of risk, the output-driven requirements shifts from “best effort” principles to “result-driven” principles. The financial plan is based on a pre-financing followed by payments based on the risk-weighted outputs.

2. Calls with pre-defined lump sums per project and selection of the proposals promising the highest scientific output for the specified lump sum

A possible pitfall of this option is that it will result in projects carried out by partnerships that are willing and able to invest considerably in the project, in addition to the lump sum. This could lead to the exclusion of the participation of a wide range of entities: universities who rely on externally financed research grants, universities and research centres located in regions driven by SMEs, etc. In other words, this option might touch upon the openness and accessibility that has characterized the Framework Programme so far. This is in our belief a fundamental issue, that goes far beyond a pledge for simplification.

Again we would like to plea to maintain scientific quality, excellence and impact of the project as basic criteria for project selection.

3. High-trust “award” approach without further control by the Commission

The high-trust “award” approach is very well adapted to frontier research, as in the ERC today. For collaborative projects, this option could be considered, as long as each partner would be responsible for their own actions (financially and output) and one partner would not have to account for poor performance of another partner.

We would like to propose another possibility that build on the high-trust “award” approach:

4. A “high trust” certification for a cost-based research funding approach

The Flemish universities and research centres are very commonly controlled and frequently audited by a multitude of governmental agencies and auditors. This implies that in general their accounting practices are consistent with the general requirements on EU-funding as these are laid down in the Financial Regulation, the implementing rules and the rules for participation of the different programmes. A “high-trust” certificate, valid for a limited period, would build upon this system instead of adding another layer of control and auditing.



We refer to the way the National Institute of Health (NIH) is certifying its beneficiaries on an institutional level.

Such an approach could be implemented for universities and public research institutions that have been labelled as “trustworthy”, notwithstanding that they remain subject to punctual ad hoc control by the EC. We thus could support output-based control to detect dysfunctional projects. Only in case of clearly unsatisfactory project execution, a beneficiary would be requested to provide a detailed cost reporting. Where the outcome is acceptable, there should be an assumption that the declared costs are actual and the institution concerned is sufficiently controlled and audited by other public authorities.

#### **4. Revisiting the EU research and innovation funding landscape**

Over the last few years, the European research funding landscape has opened up and the degree of complexity rose drastically. New schemes (JTI's, article 185 initiatives, JPIs, KICs, other PPP) make use of very divergent and sometimes untransparent funding mechanisms. We plea for a harmonization of regulations. In that respect we do not agree with the suggestions from the Sherpa group towards an “ideal house” for the JTIs.

When making funding rules for all JTIs identical, attention should be given to universities and research centres requests for fair funding principles, decision mechanisms and fair rules regarding Intellectual Property. The current differences in IP regulations from the various schemes in the Framework Programme are confusing for participants and are misused by large industries. Additionally, an IP regulation which is too restrictive should be avoided, since it disrupts the delicate balance between industry and academia.

Future JPIs (Joint Programming Initiatives) will complicate the European funding landscape even more. We hope that the Commission will take up its role as gatekeeper to ensure uniform participation and financial regulations. The attractiveness and accessibility for European researchers to the European community should be at the highest priority of the European agenda.

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