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**Titel: Reduction of Administrative Burdens and consequences
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PAPER

Reduction of Administrative Burdens and consequences for Simplification

Association of Universities in the Netherlands

This paper is a response from the Dutch research-universities to the Communications of the European Commission on:

- a. Simplifying the Implementation of the Research Framework Programmes (COM (2010) 187); en
- b. More or less controls? Striking the right balance between the administrative costs of control and the risk of errors (COM (2010) 261).

Introduction

The Dutch research-universities warmly welcome the proposals and contribution of the European Commission concerning the reduction of the administrative burdens for beneficiaries of European funds in general and in particular of the Framework Programmes for Research and Technological as expressed in its communications *More or less controls? Striking the right balance between the administrative costs of control and the risk of errors* (COM (2010) 261) and *Simplifying the Implementation of the Research Framework Programmes* (COM (2010) 187). The Dutch research-universities underline the importance of further and decisive progress in this respect for realising the ambitions of the renewed strategy for jobs and growth (EU2020).

Simplification should enhance the process of sustainable and autonomous universities. Universities can only achieve sustainability by having a clear (administrative) insight in their real direct and indirect costs (full economic costing) for research, education, patient care and/or principle missions. The aim of sustainability should be respected by respecting the management and accounting principles and practises set up by the beneficiaries to achieve this. Prior financial uncertainty and risks and diverging interpretation of rules should be reduced by systems as Single Information and Single Audit per Legal Entity in direct relation to High Trust principles which is in line with the EUA Glasgow Declaration 2005

The Dutch research-universities realise the fine and complex balance between the need for transparency and accountability by the European Commission and beneficiaries towards the European tax payer on the one side and the overbearing administrative burdens for control for both the European Commission and the beneficiaries on the other side. We express the full commitment of the Dutch research-universities to contribute to Europe 2020 while guaranteeing high standards of accounting. The Dutch research-universities seriously offer their support and expertise for:

- the short term, within the existing Financial Regulation
- midterm, within an adjusted Financial Regulation until 2013
- long term, within the Financial Regulation 2014-2020.

This paper in this sense not only concerns a first reaction and position by the Dutch research-universities, but also a commitment to cooperate and contribute on the long term.

We herewith call upon the European Commission, European Parliament and Council of the European Union to:

1. Acknowledge the unpredictable and risky nature of knowledge generation and dissemination (i.e. education, research and innovation) AND the good intentions of the knowledge institutions when it comes to contributing to EU2020. That is why we underline the need to treat the stakeholders in this process with a 'high trust' approach and introduce a Tolerable Risk Error (TRE) of no less than 3,5%, not only for research and innovation, but for education as well.
2. Reinforce their commitment to modernising the knowledge institutions into sustainable and autonomous institutions with respect to their funding base as well as to the accountability of knowledge institutions towards society at large and to their funders in particular within the concept of full economic costing, meaning the obligation for institutions to calculate their real direct and indirect costs and the 100% funding of these costs by the funders.
3. Oblige the institutions to deserve 'High Trust' *ex ante* within their respective national context and within the rules of the EU by means of Certificates on their methodologies, framework contracts or otherwise. The Dutch research-universities offer the extensive and profound expertise of the Dutch research-universities in this respect.

1. Strand 1: Streamlining proposal and grant management under the existing rules

1.1 (1) User support, guidance, transparency, IT tools and processes

For the first time in a FP, it is possible to check the administrative status of the legal entity for their projects. When the URF would be expanded to contain all the communications between the legal entity and the European Commission, this would facilitate the internal audit procedure at concern level, and it would offer an instrument that could help large legal entity as the Dutch research-universities to keep a better overview of our legal and financial obligations.

IT-Tools

- Shareholders should be involved in adjustments to IT-tools; current updates of ECAS are confusing and unnecessary time-consuming for the users. Introduction of a dummy account could be very helpful in training people to use the IT-tools.
- One web portal for all EU grants (160, 182-187 ToFEU as well as DG financed grants).¹ Single Information Facility (URF) and NEF to be implemented as soon as possible for all grants.
- Electronic proposal submission should automatically be converted into the Description of Work, see also below under proposal format.
- The IT tool should also facilitate the users in compiling scientific progress reports, project management reports and financial reports. LEARs should have all information available on submitted projects and selected projects for funding.

1.2 (2) Uniform application of rules

The Dutch research-universities would warmly welcome a harmonized approach for all ERA Instruments, independent of the article of the treaty under which they are funded.

Just as the triennial revision of the Financial Regulation, which includes an article on the concept of Tolerable Risk Error, is applicable to all European funding systems so should the aim of Simplification not just target the framework programmes for research, technological development and demonstration whether FP7 or FP8, but take a much broader view: the (governance of) the European Research Area (ERA).

In particular when taking into account the triennial revision of the Financial Regulation, it is important to have a broad view on the reduction of administrative burdens for all knowledge expenditure (i.e. education, research and innovation), linking to ERA the development and instruments of the European Higher Education Area (EHEA), the European Area for Vocational Education and Training (EVETA) all these instruments should be embedded within the Europe European Commission's simplification strategy. We particularly point out to the structural funds largely administered by the member states and the financial instruments of the European Investment Bank (EIB) as well.

The Certificate on the Methodology, which has not fully prospered in FP7, or the simpler instrument of the so called Framework Contract, as was applicable in FP3 and FP4, could be used for contractors having multiple contracts with the European Commission to reduce the need for ex-ante as well as ex-post controls because the preliminary check on management and accounting principles and practises has already been conducted and negotiated between European Commission and Contractor.

1. ToFEU means Treaty on the functioning of the European Union as recently ratified by all member states.

This effort of harmonization should be combined with a system of EX ANTE *Single Audit per Legal Entity* in stead of an audit per contract. A *Single Audit per Legal Entity* could entail a yearly audit of the running EU grants of the legal entity. This could for example be done by adding a separate annex to one's fiscal year report/annual report which identifies the list of EU grants. The auditor will than in accordance with a standard set of Procedures verify all grants or sample a minimum number of these grants whether the financial records are kept in order with the legal entity's certificate on the methodology. This system will help to reduce legal uncertainty among European Commission staff, including staff of grants externally managed, as well as the staff of the participants.

Uniform application rules for all ERA instruments will limit the administrative aspects of reporting as well as limit the risk on making mistakes. Keep all templates for periodic and final reporting in the same format, prevents mistakes.

1.3 (3) Optimising the structure and timing of calls for proposals

- Timing. The proposals to widen the scope of calls and increase the time between call publication and deadline would not simplify discussion between the evaluators nor the participants. In stead the European Commission should take into account the (summer) holiday spread in Europe and plan calls before the bulk of the (summer & Christmas) holidays start in order to provide participants with a feasible submission period. No publication of calls just before summer holidays and deadlines very short after summer holidays or Christmas holidays.
- Evaluation criteria: A limited selection criteria of FP7 can cover the absolute essence for proposal evaluation. These criteria should be maintained, but it should be made sure that all types of grants can be evaluated through these criteria. We recommend not to go back to FP6 with six criteria for all projects. Competitiveness, social cohesion, sustainability and partnership with the rest of the world is the *raison d'être* of the European Research Area. Therefore, all funding schemes should be evaluated with regard to impact generated; impact should be a general selection criterion for evaluation of all EU funded research.
- 2-stage submission: among the research-universities there is a mixed experience with submitting two stage submission projects. In general the view is be selective in the fields for which 2-stage submission is introduced. In general it was perceived that 2-stage submission works reasonable well in complex health projects but within some ICT projects it was found that 2-stage submission was doing the work twice.

1.4 (4) Adapting sizes of consortia

The appropriate size of a consortium should be solely based upon the indications on expected sizes of projects to the needs in the specific fields, allowing, where appropriate, for smaller consortia. Project financing works well and keeps research competitive.

Have clear definitions on funding schemes in place which should work for the entire ERA Instruments. Calls for any type of ERA Instrument should just as they do at present for FP7 calls identify the type of funding scheme applicable.

1.5 (5) More extended use of prizes

Reduction of administrative burdens should not be the driving force for substituting grants by prizes. A Prize for scientific excellence is awarded on past performance of an individual scientist, who can spend this award at his or her own discretion. Grants should always be based on the most excellent approach for carrying out a defined project.

2. Strand 2: Adapting the rules under the current cost-based system

2.1 (1) Broader acceptance of usual accounting practices

- Transparency in costing through real direct and indirect costing should be the leading costing principle for all grants (full cost model) taking into regard:
 - Actual (personnel) costs should be defined in accordance to a beneficiary's management and accounting principles and practices.
 - One audit per legal entity per year (see strand 1.2 Uniform application of rules) instead of audits per contract will help to reduce legal uncertainty among your and our staff.
 - Non-refundable VAT should be an eligible costs

2.2 (2) Average personnel costs

The same principles are set out under point 1.2.1 should apply where the management and accounting principle and practice should be leading.

2.3 (3) Limiting the variety of rules

The proposal to reduce the number of combinations between funding rates, organisation types and activity types should be subject to the principle of sustainable universities:

- No single flat rate, the principle of sustainability should prevail: A single flat rate would undermine the principle of sustainable & autonomous universities; real direct and indirect costs of research should be fully reimbursed. Building sustainable and autonomous universities requires a single funding rate which reimburses 100% of the costs for the activity. If State Aid rules remain applicable and thus limit such possibilities, differentiation towards organisation and activity type may be needed. The regulation for State Aid is in the process of consultation and the WTO rules in this regard have elapsed. If EU Instruments remain subject to State Aid regulations than the maximum state aid received on technological cooperation should be 100%. The single funding rate should also be discussed in the light of these regulations.

2.4 (4) Interest on pre-financing

The obligation of recovering interest on advance payments is cumbersome because it is not clear to institution how depletion of the pre-financing should be taken into account when calculating the interest yielded. To reduce this burden, several options could be explored:

- Incorporate the method for calculation of interest on pre-financing in the CoM or Framework contract (see strand 1.2 Uniform application of rules) to be concluded with the participant for all his EU grants.
- Reduction of the size of pre-financing paid for individual grants combined with a shorter interval interim payment for the first interim payment;
- When the obligation in the Financial Regulation and the ERA rules remains with regard to the payback of interest yielded than regulate that this is a responsibility only for the coordinator and not for the consortium as a whole;
- Incorporate a fixed percentage for interest yielded which is withheld, such fixed percentage should take into account the fact that such sum is fully depleted during the period for which it is granted.

- Abandon this obligation as too cumbersome

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

The Dutch research-universities are of the opinion that to increase the system of lump sums would be counter effective to the principle of sustainable universities. Time-recording is a means to achieve a sustainable university because it enables reimbursement of the real direct and indirect costs related to projects. The audit on such system should be based upon the management and accounting principles and practices of the participant and should be subject to a standard procedure as a Single Information Single Audit approach per Legal Entity.

2.6 (6) Accelerating project selection

One proposal format should fit all grants. All Description of Works (DoWs) should have the same format, although not every topic is applicable to every proposal. The format should be simple and should be a one-to-one match with the applicable evaluation criteria.

The DoW should be identical to the submitted project and not overly detailed. The current level of details in the workpackages gives rise to very detailed negotiations. Some statistics of Dutch research-universities: 25% of the comments are directly related to comments of the evaluators in the ESRs and 75% of the comments come from the project officers themselves. Less detail in the project proposal / DoW will reduce the time to contract considerably. The ERC and the PPP 'Factories of the Future' seem to be able to reduce the time-to-contract considerably in comparison to other instruments.

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

3.1 (1) Project-specific lump sums as a contribution to project costs estimated during grant

Pre-defined lump sums per project in itself are seen as very positive and effective if there is no longer a need for participants to split the project costs to the eurocent as is required at present. But to define measurable output-indicators for result-based funding will affect the evaluation system. The FP7 evaluation system is brilliant in its simplification reducing for Cooperation the number of criteria from six in FP6 to three in FP7.

Properly measuring the highest scientific output is hard to measure for a lot of scientific fields (life sciences, social sciences, humanities to name a few) and one has to take due notice of the 'risk-avoidance tendency' that funding systems induce based upon result-based funding.

The transparency and simplification of the current evaluation process should not be sacrificed for administrative dubious reasons as setting up a lump sum system. The Dutch research-universities can not stop to emphasize the importance of sustainable universities which system will only be able to be successful when research costs are based upon transparent real direct and indirect costs.

3.2 (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

The ideas presented in this respect will effectively drain the resources of the universities even further than the present system of co-financing 25% of the real direct and indirect costs. It is expressed several times in this position paper of the Dutch research-universities that the need for sustainable universities can not be taken lightly.

3.3 (3) A high-trust "award" approach consisting in distributing pre-defined lump sums per project without further control by the European Commission:

The Dutch research-universities would welcome a shift from ex-post to ex-ante control with the goal to minimise the financial risks for the beneficiaries and the EU. In order to effectively reduce the rate of errors, or to achieve a reasonable Tolerable Risk Error of no less than 3,5%, a *High Trust* approach in combination with a Certificate on the Methodology or a Framework Contract could be successful. A yearly audit of predefined procedures on a selection of all running grants per fiscal year of the legal entity should be the mechanism to establish and to reduce a reasonable tolerable risk error.

If this approach of Certificate on the Methodology or Framework Contract is combined with harmonization of the rules for all ERA Instruments this would lead to a harmonised reporting and auditing procedure for all EU Grants, reducing the administrative and financial management of all partners well as limit the risk on systematic and non-systematic errors in calculating the real costs

We invite the European Commission to take on the challenge to introduce at ERA level the idea of Single Information Single Audit system for all types of ERA instruments. A system that should prevail the importance of sustainable universities and at the same time assures an acceptable Tolerable Risk Error level for all working in the ERA whether as grantor or as grantee.