



European Economic and Social Committee

INT/523
Simplification of the
research framework
programmes

Brussels, 22 June 2010

WORKING DOCUMENT

of the Section for the Single Market, Production and Consumption
on the

**Communication from the Commission to the European Parliament, the Council, the European
Economic and Social Committee and the Committee of the Regions -
Simplifying the implementation of the research framework programmes**

COM(2010) 187 final.

Rapporteur: **Gerd Wolf**

To the members of the study group on the **Simplification of the Research Framework Programmes**
(Section for the Single Market, Production and Consumption)

N.B: This document will be discussed at the meeting on **24 June 2010**, beginning at **2.30 p.m.**

Document submitted for translation: 10 June 2010.

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Study Group on
Simplification of the
Research Framework
Programmes

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On 29 April 2010 the European Commission decided to consult the European Economic and Social Committee, under Article 304 of the Treaty on the Functioning of the European Union, on the

Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - Simplifying the implementation of the research framework programmes
COM(2010) 187 final.

The Section for the Single Market, Production and Consumption, which was responsible for preparing the Committee's work on the subject, adopted its opinion on

At its ... plenary session, held on ... (meeting of ...), the European Economic and Social Committee adopted the following opinion by ... votes to ... with ... abstentions.

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1. **Summary**

To be drafted after the first study group meeting.

2. **The Commission communication**

2.1 The purpose of the Commission communication is to continue to simplify the way in which the European research programme is implemented. The communication deals primarily with financing issues.

2.2 The possibilities for further streamlining outlined in the communication are based on three strands:

- Strand 1: Streamlining proposal and grant management under the existing rules
- Strand 2: Adapting the rules under the current cost-based system
- Strand 3: Moving towards result-based instead of cost-based funding.

2.3 The first strand provides for practical improvements to processes and tools that the Commission has already started implementing.

The second strand covers changes to the existing rules allowing a broader acceptance of usual accounting practices (including average personnel costs), the reduction of the variety of special conditions, a provision for owner-managers of SMEs and a change to the grant selection process. Most proposals under this strand are geared towards the development of future framework programmes.

Under the third strand, options paving the way to future more profound changes are presented, by introducing a result-based approach that would entail a major shift of the control efforts from the financial to the scientific-technical side.

3. **General comments**

- 3.1 **Efficiency of the R&D framework programme.** The R&D framework programme is one of the most important Community instruments for safeguarding and strengthening European competitiveness and prosperity and for shaping the European research area. It is therefore vital that this programme be implemented as efficiently as possible. This is contingent, among other things, on the administrative parameters for awardees.
- 3.2 **Necessary streamlining.** Overall, there has been and continues to be a clear need to considerably improve and simplify the programme. The Committee has thus repeatedly called for a streamlining of the procedures involved in making use of the research framework programme and was pleased to note that initial measures are already being taken to this end under the 7th R&D framework programme.
- 3.3 **Overall endorsement.** In principle, the Committee therefore welcomes and supports the Commission initiative and the ideas and options presented in the communication. However, this still does not eliminate the main cause of the problem, but merely mitigates its impact. That too is the intended purpose of the proposed measures, including the introduction of more flexibility, more consideration of procedures in Member States, a number of new approaches and the streamlining of procedures within the Commission itself. Although these measures may well secure considerable improvements and are thus supported by the Committee, longer-term efforts should be geared towards eliminating the main cause of the problem in the interests of the single market and the European research area.
- 3.4 **Main cause of the problem.** The main cause of the problem is the diversity and variety of support mechanisms, administrative rules, settlement procedures and monitoring processes, both for the R&D framework programme itself and for the individual Member States and their awardees. The problem here is made even worse by the very strict and inflexible Commission rules, which, mostly as a matter of precaution, are interpreted in the narrowest way possible, particularly through strict audit procedures. Things are further complicated by the increasing diversification of EU programmes and the instruments themselves, since new support tools and programmes (such as JTIs under Article 187, initiatives under Article 185, EIT, ERA-Nets, PPP, etc.) are always being introduced, sometimes with their own support rules, tender documents and guides.
- 3.5 **A complex, barely comprehensible mesh of interconnected elements.** This has given rise to an extraordinarily complex, barely comprehensible and inconsistent mesh of interconnected elements, which causes considerable friction and disagreement among all stakeholders and

can only be managed to some extent through massive individual (and thus financial) effort. Not only does this make invested resources less effective, it also makes the framework programme less attractive to top scientists. This compromises the success of the framework programme.

- 3.6 **Immediate objective.** The Committee's immediate objective and initial recommendation is therefore that all those responsible for developing the European research area should make a major effort to reduce this diversity and variety in the procedures and rules within the R&D framework programme itself: **the rules governing the R&D framework programmes need to be harmonised/simplified and scaled back.** Tried and tested support tools under the framework programme must be identified, and must continue to be used in a uniform way. A single legal framework must be applied to all European R&D support measures under the framework programmes.
- 3.7 **A further objective.** A further objective would, however, be to simplify support tools and settlement procedures (see also point 4.1) not only within the R&D framework programme itself, but also among Member States and with the Commission. This might also eliminate some of the known obstacles to greater cross-border mobility by scientists. All in all, this would be an important step towards completing the European research area.
- 3.7.1 **Plurality in research.** This kind of streamlining must under no circumstances limit the plurality of research methods, approaches and choice of issues¹, which the Committee regards as vital. *Plurality (in research) is not wasteful, but is a necessary means of optimising and making progress in the search for new knowledge and techniques.*
- 3.8 **Balance between freedom, supervision and risk of error.** As long as these goals are not achieved, the problem can only be alleviated if Commission stakeholders in particular make more flexible and pragmatic adjustments to current conditions and parameters for awardees. The Committee therefore recalls its earlier recommendations, in principle permitting more latitude in decision-making by individual players within the Commission and, linked to that, a greater tolerance of risk of error. *Fear of individuals making mistakes or behaving wrongly should not lead to overregulation and obstructions for everyone. The same principle should apply to the modus operandi of funding bodies and researchers².*
- 3.9 **An approach based on trust.** The Committee feels that this can only be achieved if **policymakers and supervisory committees are able to tolerate a greater risk of failure³** and if mistakes are not unduly penalised. The Commission believes it is possible to ensure sound financial management when there is an increased risk of failure in the R&D field, among other things by taking appropriate anti-fraud measures on the basis of a comprehensive

1 Cf. INT/358, points 1.10 and 3.14.1.

2 Cf. INT/358, point 3.15.

3 See also COM(2010) 261 final.

risk analysis. This basic principle would not be undermined by simplifying procedures and tolerating the risk of failure. The Committee agrees and recommends that further steps be taken in this regard. The trust-based approach should basically be at the heart of European research support.

- 3.10 **Reviewing the rules.** The Committee also recommends that the Commission should not only focus on designing and refining the rules but should also review how they are applied and implemented in practice. The abstract wording of the participation rules and the Financial Regulation provide ample room for use of discretion. However, this should be used consistently with a view to improving research support and ensuring efficient and sound resource management. In particular, the streamlining proposed here should not subsequently be undermined through additional monitoring measures, not least micro-management by the Commission or the Court of Auditors. The Committee urges the Parliament and the Council to encourage and support the Commission in this regard. Mistakes in the accounting of expenditure are also largely due to the complexity of support criteria and generally speaking have nothing to do with fraud.
- 3.11 **Skilled and committed officials.** The Commission needs skilled officials to implement the R&D programme, whose scientific expertise is recognised by the scientific community. Their commitment to achieving optimal results and implementing the programme efficiently must not therefore be unduly undermined by an entirely warranted concern about making procedural mistakes and the consequences thereof as a result of the bewildering complexity of the system. For this reason too, procedures need to be streamlined and made clearer.
- 3.12 **Importance of continuity.** Dealing with such complex systems requires a difficult learning process and proper experience; this applies not only to Commission officials but also to potential awardees, especially SMEs, which cannot afford to set up their own legal departments to deal specifically with these matters. A steady continuity of approach therefore not only enhances legal certainty, but also inherently simplifies continued dealings with the system. All planned changes, even if they serve to streamline the system, must therefore be weighed against the loss of continuity: **the planned streamlining measures must provide a clear added value vis-à-vis the loss of continuity.**
- 3.13 **Simplifying scientific application and evaluation procedures.** As well as simplifying financial rules and procedures it is equally important to streamline scientific and thematic application, evaluation and monitoring procedures, in order to *simplify overregulation and the deluge of European and national institutional reporting requirements, application procedures, reviews, evaluations, authorisation arrangements, etc. and if necessary condense and reduce them to what is strictly necessary*⁴. The Committee finds it regrettable that this aspect was not mentioned at all in the Commission communication. The Committee therefore recommends once again that the Commission seek, in agreement with the Member States and

⁴ Also quoted from INT/358, point 3.15.

their representatives, to harmonise and integrate *the plethora of application, monitoring and evaluation procedures, which often overlap with each other, at institutional, national and European level*⁵. This would counteract an unnecessary loss of highly-skilled researchers or, more generally speaking, human capital. While progress has already been made here as part of the 7th framework programme, most of this task remains unresolved. Potential solutions must ensure that Member States continue to participate as appropriate in the grant decision process within the framework of bodies and committees.

4. Specific comments

- 4.1 **Member States' clearing procedures.** The Committee believes that the Commission's proposal for a "***broader acceptance of usual accounting practices***" would indeed result in a significant simplification. That only applies, however, if the genuine aim - endorsed by the European Court of Auditors - is to make it possible to use the arrangements and settlement procedures in place under the national rules governing research funding in each Member State for the R&D framework programmes as well. The Committee is aware that this may lead to certain inequalities of treatment but these should nevertheless be tolerated for the sake of the desired simplification. The Committee therefore strongly recommends that this Commission proposal be implemented efficiently and unreservedly for all cost categories, with the proviso noted here.
- 4.1.1 **Eligibility of value added tax.** Value added tax is considered as part of the costs incurred for some research projects. Under the European Financial Regulation, value added tax may be deemed eligible under certain conditions. This provision is already being implemented in most European funding programmes. The Committee thus recommends that this provision of the Financial Regulation should, in future, also be drawn on and applied in the R&D framework programmes, in order to ensure consistency in the use of European legal bases.
- 4.2 **Limiting the variety of rules.** The Commission's proposal to limit the variety of rules within the Commission and R&D framework programme itself, for the reasons set out in point 3.6 above, would be a welcome and indeed necessary step in the right direction, albeit this would mean accepting the loss of tailor-made individual solutions or offsetting such losses through greater flexibility. The aim in any case is not a single solution for all awardees since, even if it does help streamline provisions, such an approach cannot possibly reflect the interests of the many different participants in the R&D framework programmes. For example, the existing differentiation between different organisations should be retained.
- 4.3 **Clear definitions and guidance.** A clear and unambiguous definition of the concepts, rules, practices and proceedings is crucial, especially in complex systems, in order to make it clear to stakeholders how they have to proceed. The same is true for the availability of reliable guidance drawn up by the Commission. On the one hand, the guidance must provide

⁵ Cf. INT/163, Appendix.

sufficient leeway in order to properly reflect the different parameters of different awardees. On the other hand, the beneficiaries must be able to trust the guidance given. This recommendation is not inconsistent with the need for greater flexibility, but rather allows that flexibility to be used to the full. However, in this respect, the Committee sees particular problems vis-à-vis the last and positively revolutionary part of the Commission's proposals (see point 4.7 below).

- 4.4 **Coherent audit strategy.** The Commission's future audit strategy is an important part of the simplification process (see also points 3.10 and 4.1). The Committee thus recommends that the audit strategy be re-defined with a view to increasing the efficiency of the R&D framework programme and simplifying the administrative procedures. At this point, it would also be necessary to clearly set out the conditions under which the application of the Member States' usual accounting practices, including any settlement arrangements for average personnel costs, are to be checked.
- 4.5 **More lump sum elements in the current cost-based approach.** The Committee basically supports this Commission proposal which can be applied to different cost categories. The Commission also sees it as a means for **improving the participation conditions for SMEs**. However, the Committee's endorsement comes with the proviso that lump sums must remain optional and that all awardees must still have scope to submit their actual costs for settlement.
- 4.5.1 **Actual costs.** Essentially, the level of financial contributions – i.e. also the lump sums available – must be related to awardees' actual costs. Given the requisite administrative and other outlay involved, it is only worthwhile, - for the most efficient stakeholder organisations – to take part in European research programmes once the R&D framework programme support reaches an appropriate level. And only then can the competitiveness and innovation goals be fully achieved.
- 4.6 **Robust software tools for project management.** The use of web-based systems for the whole duration of a project, from submission of applications to completion, offers considerable potential for a radical reduction in administrative outlay both for the Commission and for applicants. In this respect, the Commission's efforts in this direction are warmly welcomed. However, the tools designed by the Commission for applicants to use must operate together flawlessly. However, although the newly developed software tools for the 7th framework programme do facilitate procedures within the Commission, applicants must not be left shouldering the burden. Poorly developed software (e.g. NEF) and incompatible document structures (e.g. between project phases) generate additional and unnecessary work for all applicants. The Committee recommends that due account should be taken of this aspect at each of the three proposed levels and that even more resources should be invested in the further development of software tools for the future.
- 4.7 **Moving to result-based funding.** One particularly distinctive new form of simplification proposed by the Commission for the upcoming 8th framework programme is a move towards

result-based instead of cost-based funding. This concept seems particularly attractive at first sight, albeit this is, in terms of R&D, a very opaque concept. What is the result of basic research? *Knowledge*. The Committee shares the Commission's cautious position expressed as follows: *Result-based approaches require a careful definition of output/result at the level of each individual project and a thorough analysis in order to fix lump sums (...)* The Committee therefore recommends that all potential participants engage in a very careful and considered discussion before taking any further practical steps.

- 4.7.1 **Feasibility study and definitions.** That said, the Committee would welcome a feasibility study here in order to better assess the practical prospects, risks, problems and any potential for simplification in advance of any subsequent move to result-based research. Terms such as "science-based funding"⁶ or "programme-based research funding" could be used instead of result-based research funding. Prior agreement of research project outcomes suggests elements of contract research; this not only throws up difficulties in relation to public procurement and tax law but also raises issues about the basic understanding of research itself. Consequently, the terms "science-based funding" or "programme-based funding" are much more indicative of what is actually meant than "cost-based research funding".
- 4.8 **Further measures and aspects.** The views expressed in this document do not address all of the Commission's proposals. The Committee does not wish to use this opinion to go into further, mainly technical, details of the issue, but would refer to the expert position papers drawn up on these questions by EARTO, the European Trade Association of Research and Development Organisations (RTOs), and EUROHORCS - European Heads of Research Councils.

⁶ Proposal of the informal working group "FP7 Implementation" under the chairmanship of Mr Herbert Reul (MEP).