



## NOTE FROM THE FRENCH AUTHORITIES

### **RE: Administrative simplification of the Seventh Framework Programme for Research and Technological Development**

Simplification of the Framework Programme for Research and Technological Development (RTD FP) is a recurring subject and several initiatives have already been taken to address it. The issue seems to be coming to a head: the policy of financial audits initiated by the European Commission under FP6 has compounded the existing complexity and exacerbated the effects to such a degree that the actors with strongest European convictions might shun FP7 and the planned European research area in favour of domestic programmes.

Therefore, we wholeheartedly welcome the European Commission's announced initiative to hold a debate on this issue, based on a communication to be released in the second quarter of 2010. This will enable us to lay the foundation for the evaluation of FP7 at the halfway mark and for the negotiations on FP8.

France would like to make a contribution to this work, after conducting broad-based consultation with French public and private-sector research players taking part in FP7. The goal is to come up with the most comprehensive inventory possible of all of the problems encountered for the implementation of the programme and to propose specific solutions for each of these problems. The table in the appendix to this note summarises all of the proposals.

Some of the proposals call for a revision of the Rules for Participation in the Framework Programme or the Financial Regulation, but other solutions could be implemented immediately to improve the functioning of the Framework Programme. For example, the

information documents common to all participants, such as the “Financial Guidelines”, should be available in all 23 official languages of the European Union.

The main proposals can be summed up as follows:

### **1. Ensure coherent implementation of the Programme**

Participants periodically face differences in the interpretation of the rules and different requirements by the staff in charge of enforcing them. Furthermore, it is not rare for certain instructions to be countermanded after the fact in the course of a single project.

This seriously compromises the actors’ ability to form a clear perception of the requirements and to create an organisational structure to satisfy them. Individual cases of such differences only rarely constitute a major problem per se. However, an accumulation of such differences over the course of a single project is a major source of confusion for the participants and slows down the proposal evaluation process. According to the latest data from the European Commission, the average time lag between the end of a call for proposals and the signature of a Grant Agreement under FP7 was still 333 days. By way of comparison, the average “time to grant” for calls for proposals from the French National Research Agency is around seven months, even for international operations.

Therefore, the French authorities propose:

- ⇒ Instituting a procedure to establish uniform interpretation of the rules for all projects, regardless of which Commission services or executive agencies are responsible for implementation;
- ⇒ Providing training for Commission and executive agency staff on administrative and financial rules, on intellectual property rules applying to the projects and on using computerised tools;
- ⇒ Integrating the computer systems used to implement the Programme. The recent introduction of such systems constitutes a genuine advance for identifying participants, submitting proposals, negotiating projects and reporting.

## 2. Reducing management costs

Several changes to FP7 in recent years have given participants more responsibilities in exchange for greater independence in implementing actions. Project coordinators and members of joint technological initiatives (JTI) have been handed a larger share of the management tasks and costs for projects, without any corresponding reduction in the administrative burden being noted.

Technology Initiatives are another illustration of how unsuited the traditional individual project management rationale is to implementation of new activities under FP7, which are more consistent with a programme approach.

Finally, the cost of some of the European Commission's measures and requirements appears to be disproportionate with regard to the objectives of sound management and protection of the EU's financial interests. For example, we can cite the requirement that the interest earned by the pre-financing monies paid to coordinators be identified for each project, which is based on a questionable interpretation of the financial regulations and their application procedures. Another example is the requirement that participants immediately recalculate all of the intermediary cost statements for each project if an audit reveals an error, whereas a negotiated lump-sum reimbursement would be a simpler alternative.

Therefore, the French authorities propose:

- ⇒ Asking the European Commission to submit an annual report to the Council and to the European Parliament on the total management cost of FP7, including the Commission's management costs as well as the relevant management costs for the participants (project management costs and the cost of auditing financial statements, which are deemed to be eligible project costs);
- ⇒ Facilitating the use of cascade grants for major European programmes, such as Technology Initiatives, by amending the financial regulations or the Rules for Participation in FP7.

⇒ Making better use of the exemptions to the general rules set out in the Financial Regulation to give Technology Initiatives more leeway in their organisation, decision-making, personnel management and allocation of funding.

### **3. Restoring stakeholders' confidence**

The complexity of the rules and the haphazard interpretation of them creates legal uncertainty that is extremely harmful for the Programme's reputation and its effectiveness. An FP7 participant, applying the rules and regulations in force, and complying with the requirements set by Commission staff or executive agencies, should have adequate assurance that it will not have to deal with reimbursement demands several years after projects are completed.

This means that the eligibility criteria for direct and indirect costs warrant special attention. The Rules for Participation in FP7 require participants to apply their "usual accounting principles and practices" when declaring costs, but this requirement is often incompatible with compliance with other eligibility criteria (on average personnel costs or indirect costs, etc.)

Given the vast differences in national rules and practices within the European Union, uniform application of the Rules for Participation in FP7 throughout the EU will always be a source of problems and uncertainty. The recent accumulation of special procedures and clauses, and contract documents designed to cover all possible situations has not led to greater clarity in the interpretation of the rules. On the contrary, it has increased complexity and become a source of further confusion and potential errors in its own right.

A new approach is needed to restore the necessary confidence between actors and to allow them to focus their efforts on scientific matters and the construction of a European research area, instead of administrative matters. The Commission could be urged to recognise the participants' accounting methods on the basis of prior validation by a national auditor. The Commission could also look into the specific advantages and drawbacks of greater use of lump-sum financing, which would automatically eliminate audits of the actual costs incurred. In exchange, the Council, the European Parliament and the Court of Auditors will have to waive the requirement holding the Commission to an error rate of less than 2% in the management of research funding, since this requirement could not be met without incurring prohibitive audit costs.

Therefore, the French authorities propose:

- ⇒ Recognising the participants' accounting methods, taking into consideration the national auditor's evaluation of the FP7 participants' accounting practices with regard to reporting costs related to FP7 projects.
- ⇒ Allowing all participants to choose between the following cost models for covering indirect costs: full cost model with actual indirect costs or full cost model with indirect costs estimated at a flat rate equal to 60% of direct costs.
- ⇒ Examining the specific advantages and drawbacks of greater use of lump-sum financing (based on scales of unit costs that take account of national disparities), and starting experimental lump-sum financing of the fellowships granted by the European Research Council (ERC) very soon.
- ⇒ Taking into consideration the specific nature of research programme management (diversity, complex rules and total cost of the audit policy) to set an acceptable error rate.

**Appendix**

Problems	Examples	Proposed solution
<b>1. PRACTICAL IMPLEMENTATION ISSUES</b>		
<b>A. COHERENT PROGRAMME MANAGEMENT</b>		
<p>Inconsistent interpretation of the rules by the different entities responsible for implementing FP7 (differences between DGs, between departments in a single DG, and even between staff members of a single unit).</p>	<ul style="list-style-type: none"> <li>▪ Changes in the interpretation of the rules between the evaluation stage and the negotiation stage for the Grant Agreement.</li> <li>▪ Different interpretations of the notion of durable integration of Networks of Excellence between the various departments of the DG Research.</li> <li>▪ Different interpretations of the notion of internal services by auditors (rejected, reclassified as subcontracting, classification accepted but at a lower price, or else classification as operating expenditure accepted).</li> </ul>	<p>Institute a simple procedure to establish uniform interpretation of the rules for all projects, regardless of which Commission services or executive agencies are responsible for implementation. Disseminate the procedure to project managers and publish it to make it accessible to participants. Create a “FP7 mediator” that will hear appeals from project promoters to ensure uniform interpretation of the rules by Commission staff. (1)</p>
<p>Inadequate training for staff, who do not always know the rules that they are supposed to enforce or how to use the electronic tools created to facilitate European project management.</p>	<ul style="list-style-type: none"> <li>▪ Some Commission officials do not recognise the delegated signature system and require all contractual documents to be signed by the same person throughout the lifespan of a project (see the Accession Form or “Form A” of the Grant Agreement).</li> <li>▪ The coordinator often has to cite the Rules for Participation, the financial guide and the intellectual property guide to convince Commission officials about such issues as the applicable rate of indirect costs and intellectual property rules.</li> <li>▪ Some Commission officials demand a consortium agreement before signing the Grant Agreement.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Provide continuing education for Commission and executive agency staff in: <ul style="list-style-type: none"> <li>- the administrative and financial project management rules to avoid exorbitant demands that make the procedures more burdensome,</li> <li>- the intellectual property rules that govern the projects</li> <li>- the electronic tools used. (2)</li> </ul> </li> <li>▪ Article 1.4 of the Standard Agreement stipulates, “The beneficiaries are deemed to have concluded a consortium agreement...”, which should not be interpreted as allowing officials to demand the signature of a consortium agreement before the signature of the relevant Grant Agreement. (3)</li> </ul>

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	<p>Exorbitant demands from management staff at the Commission or the executive agencies compared to the provisions set out in the applicable rules and regulations.</p>	<ul style="list-style-type: none"> <li>▪ Some Commission officials demand that beneficiaries submit additional reports that are not stipulated in the Grant Agreement.</li> <li>▪ Some project management officials (particularly in the Research Executive Agency, REA) demand bank guarantees from certain participants.</li> </ul>	<p>Staff in charge of enforcement must comply with the rules. (4)</p>
	<p>Rotation of Commission staff during the lifespan of a project, which leads to different interpretation of the contract terms and questioning of points that were negotiated earlier, thereby delaying procedures.</p>		<p>Ensuring the stability of the “scientific officer / financial, administrative and legal officer” pairing for each project or the stability of a single “project manager” with responsibility for the scientific aspects, as well as the administrative, financial and legal aspects (including intellectual property), and the stability of the enforcement of the rules in the management of each project. (5)</p>

**B. BURDENSOME AND COSTLY PROCEDURES**

**i. Delays in transactions and evaluation of proposals**

Reliability of officials and honouring deadlines.

Commission staff are often less strict about honouring their own deadlines for giving answers, validating information requested, payments, etc. than they are for deadlines imposed on beneficiaries.

- Require a written explanation of any of its own deadlines missed by the Commission with regard to the participants (include a clause in the Grant Agreements). (6)
- If the Commission is late in its evaluation of the proposals, it should accept a degree of flexibility with regard to the deadlines imposed on beneficiaries. (7)
- Require all of the comments and questions that the Commission has for the coordinator before validating reports and payments to be submitted by a deadline set out in the Grant Agreement (except for requests for additional information following the coordinator’s preliminary response). (8)
- Introduction of a “silence procedure”, which means that if the Commission fails to respond to the information submitted by the beneficiaries by a deadline set out in the Grant Agreements, the information shall be deemed to be validated by the Commission. (9)

	<p>The Grant Agreement negotiation phase accounts for the bulk of the “<i>time to grant</i>”.</p>	<ul style="list-style-type: none"><li>▪ Several cases where negotiations for the Grant Agreement have taken between 18 and 24 months, or even longer.</li></ul>	<ul style="list-style-type: none"><li>▪ Require a presentation to the Programme Committee on the state of negotiations for any project where the negotiations last longer than six months after presentation of the list of selected projects. (10)</li><li>▪ The negotiation terms concerning the scientific and technical content of the projects must be limited strictly to the recommendations made during the evaluation. (11)</li></ul>
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	<p>Lack of flexibility in project management.</p>	<ul style="list-style-type: none"> <li>▪ The procedures for amending the Grant Agreement are not adapted to the life of an R&amp;D project.</li> </ul> <p>Examples include the change of one of the partner's registered name or a change in the consortium members, as members are added or removed, without necessarily involving a material change in the project objectives.</p> <p>Nevertheless, such changes entail a long and complex process that combines the consortium's internal rules and Community rules to amend the Grant Agreement.</p> <ul style="list-style-type: none"> <li>▪ Difficulties in obtaining an extension of a project from the Commission, which undermines the achievement of the project objectives.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Facilitate amendments to the Grant Agreement for changes in the members of the consortium or the administrative and financial provisions (e.g. with a "silence procedure"). (12)</li> <li>▪ Make easier to extend projects with a clear procedure, if warranted to achieve the scientific and technical objectives. (13)</li> </ul>
	<p>The "project management" notion that makes it possible to plan and execute several tasks at once is underdeveloped.</p>	<ul style="list-style-type: none"> <li>▪ All of the financial statements and deliverables must be submitted to the Commission at the same time. If one of the partners is late, the whole process grinds to a halt.</li> <li>▪ The eligibility of the companies (validity of SME status) is verified at the time the agreement is signed.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Have the Commission examine the first "Form C" and deliverables submitted to it, even if some of the partners' submissions are still pending. (14)</li> <li>▪ <u>Start</u> verifying the eligibility of the companies as soon as the project is selected. (15)</li> </ul>

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Some of the information documents are not available in the beneficiaries' language.		Translate the information documents, especially with regard to administrative and financial matters. More specifically, the "Financial Guidelines" should be translated into all of the official languages of the European Union. (16)
Role of the "Legal Entity Appointed Representative" (LEAR).	Except for ERC projects, the signature of the Legal Entity Appointed Representative is no longer required.	Require the signature of the LEAR with the power to commit the entity in the proposal submission. This would enable entities participating in FP7 to identify the submissions being prepared, and, where appropriate, to offer assistance in preparing proposals, thereby speeding up the negotiation procedure. (17)
<b>ii. Needlessly redundant requirements</b>		
Computing tools.	See below.	
Needlessly large numbers of forms to be filled out and signed.	Form A.2.5 of the Grant Agreement ("Our Commitment") needs to be signed by all of the partners in the project, in addition to the Grant Agreement itself.	Only one signature per partner should be required for the entire Grant Agreement. (18)
Auditing	Beneficiaries are required to answer the same questionnaires and requests for explanations about their accounting methods for each new ex-post audit. Once this information has been provided, further audits should only concern the direct project costs.	<ul style="list-style-type: none"> <li>▪ General information about the beneficiaries' accounting organisation and methods should only be required once, regardless of how many audits are carried out. (19)</li> <li>▪ Share information about individual participants between different auditors, including auditors in different DGs. (20)</li> </ul>

<b>iii. Disproportionate management costs</b>		
The error correction procedures under the audits are disproportionate to the objective of protecting the Community's financial interests.	Requiring all of the financial statements for all of the FP6 projects to be recalculated in a very short time if "systemic" errors were found in the audited projects, without considering a negotiated reimbursement with a view to protecting the EU's financial interest.	Agree to the principle of a lump-sum reimbursement corresponding to the actual financial loss incurred by the Community (for ongoing or completed projects), but without requiring the submission of new financial statements, which might have to be validated by the auditors and Commission staff. (21)
Requirement that the coordinator open an interest-bearing account for each project so as to identify the interest earned on the pre-financing.		See proposal (49).
Passing on the Commission's project management costs to the participants (especially the coordinators).		The Commission could submit an annual report to the Council and to the European Parliament on the total cost of FP7 management, including the Commission's management costs, as well as the relevant management costs for the participants (project management costs and the cost of auditing financial statements). (22)

<b>C. COMPLEX RULES</b>		
The flat-rate for covering indirect costs varies greatly depending on the type of instrument.	The rate ranges from 7% of direct costs for Marie-Curie projects, to 20% of direct costs for ERC projects and 20% of direct costs for most of the Joint Technology Initiatives (JTI), to 60% of direct costs for Collaborative Projects.	<ul style="list-style-type: none"> <li>▪ Harmonise procedures for covering indirect costs. (23)</li> </ul>
Unstable rules and interpretation of the rules.	<ul style="list-style-type: none"> <li>▪ The information documents and guidelines (especially financial guidelines) that auditors use for their interpretations are constantly changing.</li> <li>▪ Example of coordination and support actions (CSAs), where the indirect cost coverage rate given on “Form C” (“financial statement per activity”) is set at 60%, but only 7% is actually reimbursed.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ensure that participants are informed every time the legal or information documents are updated. (24)</li> <li>▪ Compile a single document with all of the information needed to prepare, negotiate and carry out a project. (25)</li> </ul>

<b>D. COMPUTING TOOLS</b>		
The specifications of online communication tools are sometimes inadequate.		Ensure that tools work properly by means of a validation testing phase before making them mandatory for all participants. (26)
Launch problems.	<ul style="list-style-type: none"> <li>▪ Partners' data on electronic platforms were changed (by the Commission?) without any notification of the interested parties: PIC number, name of the entity, cost model, etc.</li> <li>▪ Inadequate responsiveness when attributing the "Participant Identification Codes" (PIC), or for requests for changes, which are critical for preparation of submissions and negotiations.</li> </ul>	<ul style="list-style-type: none"> <li>▪ No data provided by beneficiaries through an online platform should be altered without their consent. (27)</li> <li>▪ All of the participants should have read-only access to the data concerning them in the various electronic systems implemented for FP7. (28)</li> </ul>
Computing tools are designed as verification tools and not as project management tools.	Despite the existence of the "FORCE" application, each "Form C" has to be signed on paper by every participant.	<ul style="list-style-type: none"> <li>▪ Switch to electronic signatures for online submission of financial forms, for example. For the time being, FORCE is only a verification tool and not a tool for online submissions. (29)</li> <li>▪ The FORCE application could also be extended for online submission of technical reports. (30)</li> <li>▪ Make the participants' portal the one-stop entry and archiving venue for communication between the Commission and the participants. (31)</li> </ul>

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	Coherence of management tools.	Different computing tools have been developed by DG RDT, DG INFSO, Joint European Technology Initiatives, etc.	Unify computer systems: all of these systems should be integrated in the participants' portal. (32)
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## **2. REGULATORY FRAMEWORK**

### **A. LEGAL UNCERTAINTY**

<p>The eligibility of costs reported by the participants and validated by the Commission is questioned.</p>	<ul style="list-style-type: none"> <li>▪ Many disputes arise during ex-post financial audits about the eligibility of certain direct or indirect costs because of the way they are allocated in the beneficiaries' accounting systems.</li> </ul> <p>This leaves participants with two options: either they can waive reimbursement of the cost in question, or they can apply different accounting systems and practices for FP7 projects (which is not allowed under the Rules for Participation).</p> <ul style="list-style-type: none"> <li>▪ The same indirect cost may be deemed eligible for one beneficiary and rejected for another following ex-post financial audits.</li> <li>▪ All of the cost statements questioned by ex-post financial audits were submitted to the Commission and approved by its staff (as required to release the grant payments).</li> <li>▪ The Commission's difficulties with issuance of accounting methodology certificates.</li> </ul>	<ul style="list-style-type: none"> <li>▪ See Proposal (1).</li> <li>▪ Strict application of the provision in the Rules for Participation that stipulates that eligible costs must be "determined in accordance with the usual accounting and management principles and practices of the participant." (Article 31.3.c). (33)</li> <li>▪ Amend Article 32.1 of the Rules for Participation to clarify this point: <ul style="list-style-type: none"> <li><i>"Eligible costs shall be composed of costs attributable directly to the action, hereinafter 'direct eligible costs' and, where applicable, of costs which are not attributable directly to the action, but which have been incurred in <del>direct</del> relationship with the direct eligible costs attributed to the action, hereinafter 'indirect eligible costs'."</i></li> </ul> </li> <li>▪ Revise the Grant Agreement (Annex II.B.II.15.6): <ul style="list-style-type: none"> <li><i>"Indirect costs are all those eligible costs which cannot be identified by the beneficiary as being directly attributed to the project but which can be identified and justified by its accounting system as being incurred in <del>direct</del> relationship with the eligible direct costs attributed to the project. They may not include any eligible direct costs."</i> (34)</li> </ul> </li> </ul> <p style="text-align: center;">-</p>
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			<ul style="list-style-type: none"> <li>▪ Have the Commission recognise the average personnel cost rates applied by the participants, provided that they are consistent with their usual accounting practices and principles and with national legislation. Article 31 of the Rules for Participation could be amended:   <i>“For the purposes of point (a), average personnel costs may be used if they are consistent with the management principles and accounting practices of the participant and <b><u>consistent with applicable national legislation in force</u></b> <del>do not differ significantly from actual costs.</del>”</i> (35)</li> <li>▪ Recognise the participants’ accounting methods, taking into consideration the national auditor’s evaluation of the FP7 participants’ accounting practices with regard to reporting costs related to FP7 projects. (36)</li> <li>▪ Allow beneficiaries to choose one of the following two models for covering the indirect costs listed below (amendment to Article 32 of the Rules for Participation): <ul style="list-style-type: none"> <li>- full-cost model with actual indirect costs;</li> <li>- full-cost model with indirect costs estimated at a flat rate equal to 60% of direct costs. (37)</li> </ul> </li> </ul>
	Audit periods.	Audits may be carried out up to 5 years after the end of the project, or up until the last payment, which may come up to 18 months after submission of the final report.	<ul style="list-style-type: none"> <li>▪ Shorten the audit period to 3 years after the end of the project (Grant Agreement, Annex II.22). (38)</li> </ul>

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<p>Status and legal value of the documents sent by Commission staff (letters, e-mails, white memos, guides, etc.)</p>	<ul style="list-style-type: none"> <li>▪ Commission staff in charge of project management talk directly to the research teams and participants and ask them to incorporate (and thus implicitly approve) the findings of audits carried out on other projects, which may be disputed, without explaining the context or informing the central administration of the organisation concerned.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Clarify the status and legal value of documents sent by the Commission, distinguishing between obligations, recommendations and advice. (39)</li> <li>▪ All documents disseminated by the Commission must be on the institution’s letterhead. (40)</li> <li>▪ Ensure that documents sent by the Commission are binding on the institution. (41))</li> </ul>
<p>Status and legal value of the demands made by the European Commission in its dealings with the beneficiaries.</p>	<ul style="list-style-type: none"> <li>▪ The negotiation phase gives rise to a recurring series of additional new demands, on top of the originally announced requirements. This is a source of uncertainty, confusion and a large additional workload for the beneficiaries, as well as delays adding to the “time to grant”.</li> <li>▪ Auditing of actual costs incurred by participants in audits of projects with lump-sum financing.</li> </ul>	<ul style="list-style-type: none"> <li>▪ All of the documents and information required of the beneficiaries should be stipulated once and for all at the start of negotiations on Grant Agreements. (42)</li> <li>▪ By definition, a lump-sum grant cannot give rise to verification of its consistency with actual costs. (43)</li> <li>▪ Institute a procedure to establish uniform interpretation of the rules applying to all projects, regardless of which Commission services or executive agencies are responsible for implementation. Disseminate to project managers and publish to make the interpretations accessible to participants. (44)</li> </ul>

	<p>Rules of procedure for audits.</p>	<p>Scientists have been questioned about administrative and financial matters with no prior notification or involvement of the relevant staff in the entity being audited.</p>	<p>The Commission should disclose the rules of procedure for its audits:</p> <ul style="list-style-type: none"> <li>- audit objectives;</li> <li>- criteria used to determine the eligibility of reported costs;</li> <li>- provisions for hearing the audited entity's side;</li> <li>- procedures for carrying out audits by Commission staff or external firms (notice period for meetings, deadlines for submitting documents, etc.) (45)</li> </ul>
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<b>B. UNUSED POTENTIAL</b>
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<p>The technological initiatives that were originally designed to implement large-scale programmes under appropriate management rules (empowering the actors, more flexible implementation) have ended up under procedural and management rules that are just as complex, if not more so, than those applying to the usual actions managed directly by the European Commission.</p>	<p>Multiplication of contracts in JTIs :</p> <ul style="list-style-type: none"> <li>▪ Clean Sky Joint Undertaking <ul style="list-style-type: none"> <li>- a contract between the European Commission and the Joint Undertaking that is renewed each year;</li> <li>- a contract between the Joint Undertaking and each Integrated Technology Demonstrator Leader (ITD Leader) that is renewed each year;</li> <li>- a contract between each new partner (selected after a call for proposals) and the Joint Undertaking. This means that each beneficiary of a call for proposals signs a contract with the Joint Undertaking, whereas the orders come from the ITD Leader (no contractual links between the partner and the ITD Leaders, even though the latter give the specifications for the calls for proposals).</li> </ul> </li>   <li>▪ ARTEMIS AND ENIAC <ul style="list-style-type: none"> <li>- Two contracts need to be signed for each project: one with the Joint Undertaking, the other with the national authorities.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Make use of the exemptions to the general rules set out in the Financial Regulation to give Technology Initiatives more leeway in their organisation, decision-making, personnel management and allocation of funding. The extent and nature of these exemptions should be stipulated in the Regulation that establishes the Technology Initiative (46).</li> </ul> <p>Article 185 of the Financial Regulation provides for the possibility of exemptions: <i>“The Commission shall adopt a framework financial regulation for the bodies set up by the Communities and having legal personality which actually receive grants charged to the budget. <b>The financial rules of these bodies may not depart from the framework regulation except where their specific operating needs so require and with the Commission’s prior consent.</b>”</i></p> <p>Article 108 also stipulates that:  <i>“Grants are direct financial contributions, by way of donation, from the budget in order to finance:</i>  <i>a) (...)</i>  <i>b) or the functioning of a body which pursues an aim of general European interest or has an objective forming part of a European Union policy.”</i>  (47)</p> <ul style="list-style-type: none"> <li>▪ Apply the Community financing principles in force for the EUROSTARS initiative: a financial supplement from the Community to the members of the initiative who are in charge of implementing and managing it based on their own practices and instruments. (48)</li> </ul>
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<p>Requirement that the coordinator to open an interest-bearing account for each project so as to identify the interest earned on the pre-financing. On the strength of its interpretation of the Financial Regulation, the Commission requires coordinators to open interest-bearing accounts to identify the interest earned on pre-financing amounts in excess of 50,000 euros, except if:</p> <ul style="list-style-type: none"> <li>i. National laws prohibit the participant from opening interest-bearing accounts;</li> <li>ii. The administrative burden of doing so is “disproportionate” (without setting any evaluation criteria for determining what is disproportionate).</li> </ul>	<p>Funds of public establishments deposited with a public accounts agent are subject to the provisions of the Decree of 29 December 1962, which stipulates that, unless decided otherwise by the Minister in charge of the Budget, such funds cannot earn interest (Article 174).</p>	<p>Articles 5 and 5b of the Financial Regulation stipulate that interest earned on pre-financing monies should be allocated to the relevant programme or action and deducted from the payment of the remaining balance owed to the beneficiary:</p> <ul style="list-style-type: none"> <li>▪ They do not require such interest to be earned when a pre-financing payment is made. Therefore, a participant should be able to deposit the pre-financing payments received from the Commission on a single non-interest-bearing account.</li> <li>▪ Furthermore, these Articles do not require these monies to be identified <u>by project</u>.</li> </ul> <p>Either agree that:</p> <ul style="list-style-type: none"> <li>- pre-financing monies are deposited on a non-interest-bearing account;</li> <li>- or that the interest earnings be identified and paid to the Commission, not for each project, but for all of the beneficiary’s projects (49).</li> </ul>
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<b>C. RULES FOR ENSURING EFFICIENT MANAGEMENT OF SUPPORT FOR R&amp;D</b>		
Programme management vs. project management.	<ul style="list-style-type: none"> <li>▪ Cascade grants: case of Joint Technology Initiatives (JTI).</li> <li>▪ Annual budget allocation for Joint Technology Initiatives.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Financial Regulation (Article 120) and its execution procedures (Article 182) could be amended to facilitate the use of cascade grants to allow the Commission's management to be delegated to entities such as Technology Initiatives. (50)</li> <li>▪ Allow the entire grant voted for JTI programmes to be paid in two payments for the entire programme period. (51)</li> </ul>
Audit policy aimed at bringing the error rate in FP7 management down to less than 2%.		Consider the specific nature of research programme management to set an acceptable error rate, with due consideration of the diversity, complex rules and total cost of the audit policy for the Commission and the participants. (52)
Very limited possibilities for using lump-sum financing		Examining the specific advantages and drawbacks of greater use of lump-sum financing (based on scales of unit costs that take account of national disparities), and starting experimental lump-sum financing of the fellowships granted by the European Research Council (ERC) very soon. (53)