

Additional Simplification of EU Framework Programmes for Research and Innovation

EIROforum input paper

The EIROforum organisations represent eight of Europe's leading intergovernmental research organisations¹. We view positively the European Commission's efforts in creating a more simple and user-friendly Framework Programme.

While the value of the Research Framework Programme to the broader European scientific community is undisputable, there are still procedures in place that cause administrative burden in the scientific community. It would be desirable to have a Framework Programme whose approach to access to and management of grants would ensure that the funding supports scientists as effectively as possible and that does not deviate resources from science.

The EIROforum organisations therefore propose to look for best practices in the member states. This entails effective mechanisms to deal with oversubscription, and working towards a more limited regulatory framework which follows the principle of accepting the beneficiaries' already approved standards. In particular, new models of funding, like lump-sum funding, reduction of obligations to time recording, reduction of volume of reporting and a more efficient approach to organise and coordinate audit activities would be a great improvement to existing EU funding practices.

Therefore, being mindful of the Commission's recent pilot actions and efforts², the EIROforum organisations have identified a number of steps that could help to further simplify and reduce administrative burdens for beneficiaries under the current H2020 Programme and the next Framework Programme (FP9). The recommendations cover the following issues:

- The Lump-Sum Pilot 2018-2020;
- Personnel cost calculations;
- Two-stage proposals;
- Ex-ante and ex-post controls;
- The Annotated Model Grant Agreement;

¹ The European Molecular Biology Laboratory (EMBL), The European Organization for Nuclear Research (CERN), The European Space Agency (ESA), The European Organisation for Astronomical Research in the Southern Hemisphere (ESO), The European Synchrotron Radiation Facility (ESRF), The European Consortium for the Development of Fusion Energy (EUROfusion), The European XFEL Free-Electron Laser Facility (European XFEL), Institut Laue Langevin (ILL). Please note that some EIROforum organisations have submitted their specific positions on the ninth EU Framework Programme through other channels, and in their own name. This paper provides some additional suggestions by EIROforum regarding the simplification of EU Framework Programmes for Research and Innovation.

² In areas such as real cost reimbursements, the use of lump-sum financing, reducing the burden for preparing and submitting proposals and reducing the 'time to grant'.

- Funding for non-linked third parties;
- The Pre-Commercial Procurement Instrument;
- Harmonization of rules with other major grant funders;
- The negotiations of ERC grants;
- Lack of pre-agreements to address the specific characteristics of intergovernmental research organisations;
- The Participant Portal; and
- Specific points related to European Joint Programme Co-fund.

List of Recommendations

Item	Issues	Recommendations
1. The Lump-sum Pilot 2018-2020	<p>The pilot is overall a positive initiative, although it is too early to evaluate it. Potential drawbacks should be carefully taken into account, such as:</p> <ol style="list-style-type: none"> 1) It will be difficult to define a “unique lump sum” taking into account differences in living costs and salary levels per country. 2) It will be difficult to hire additional project staff if their salaries were not foreseen in the lump sum proposal; this implies additional contributions from the beneficiaries own budgets. 3) Payment upon achieved deliverables could result in research institutions pre-financing projects. 4) Lump sum-financing based on Work Package completion implies collective responsibility. 5) Due to the efforts to reduce the risks of non-completion, lump-sums might increase the number of Work Packages and/or reduce the number of participants per Work Package. 6) The monitoring measures of Work Package completion, the technical audit, and the eligibility criteria of expenses must be clearly defined. 	<ul style="list-style-type: none"> • Lump-sum financing is an important new initiative as long as it is provided as an option for a project. • Allow budget shifting among work-packages within the course of the project without contract amendments. • Amend joint liability of the consortium. In the current lump-sum pilot the consortium is jointly liable but payment to consortium partners that deliver should not be linked to non-performing ones, but rather to the completion of the activities in the work package. • Payment upon ‘achieved deliverables/activities’ should be understood in a wide sense especially for research projects as research is always an open activity. Avoid developing a system that incentivises research institutions to pre-finance lump-sum grants. • Allow calculation of the lump-sum during the negotiation-phase of a proposal, after a consultation of the beneficiaries on the real costs. • Allow a mix between lump-sum and unit costs (by keeping the notion of Person/Month). • Develop the monitoring measures of Work Package completion in close cooperation with European R&I stakeholders. • Develop clear specifications for the technical audit (i.e. per Work Package)

2. Personnel cost calculations	<p>The four methodologies to calculate actual H2020 Personnel costs remain cumbersome, subject to errors (sometimes significant) and when based on the last closed financial year, they do not reflect real costs to the beneficiary (sometimes significantly). In particular, the calculations do not reflect working practices in research organisations or intergovernmental organisations, where there can be prolonged period of non-compensated extra hours work.</p>	<ul style="list-style-type: none"> • One example could be to use the cumulative monthly salary rates of the current year (instead of previous closed financial year) which would reflect the exact real cost. • Another more substantive change than offering fixed methodologies for calculating personnel costs, would be to allow the use of beneficiaries own accounting practices as long as their overall accounting system in place fulfils a set of framework criteria and principles. This would allow flexibility and remove errors in calculations, while ensuring that beneficiaries have processes in place necessary to monitor their compliance with EC requirements. An example to consider would be the system-audit approach adopted by the National Institutes of Health (NIH) and also the UK Research Councils.
3. Oversubscription and two-stage proposals	<p>Oversubscription is a general issue affecting most H2020 Funding Instruments; especially the Future and Emerging Technologies and Marie Skłodowska Curie Actions.</p>	<ul style="list-style-type: none"> • Increase the number of two-stage calls across the whole Framework Programme, in particular for collaborative projects, as long as the first stage is rapidly evaluated to reduce the time to grant, and the filter for second stage ensures at least one in three chances for a proposal to get funded. • Two-stage calls should however not be understood as a “one size fits all” submission and selection mechanism.
4. Ex-ante and ex-post controls	<p>1) Certificates on the Financial Statements (CFS) given by other than the EC-mandated auditors are disputed in second level audits up to 5 years later.</p> <p>2) Ex-post audits can be difficult to conduct several years after a project is finished as they are extremely detailed, sometimes requiring more than two months preparation and the provision of documents which have already been previously provided.</p>	<ul style="list-style-type: none"> • In case a Certificate on the Financial Statements (CFS) has been awarded by a recognized auditor, the CFS should not be put into question in H2020 ex-post audits. One remedy could also be to have a CFS issued during the project as was the case under FP7. • Rather than auditing before, during and after a grant, recognize beneficiaries own accounting practices if their overall accounting system in place fulfils a set of framework criteria. Ensuring that

	<p>3) The current audit process in H2020 is a mixture of a system-based audit and a financial-based audit. This is overly cumbersome and does not reflect contemporary trends in audit practice.</p>	<p>beneficiaries have such a system in place could be supplemented with audits focused on larger projects.</p> <ul style="list-style-type: none"> • A concept worth looking into is the “Authorized Economic Operator” model³ in international trade where beneficiaries initially need to fulfil certain requirements (which might be assessed independently). • An additional approach to consider would be the system audit approach adopted by the NIH and also the UK Research Councils where the systems operated by the beneficiary are audited more regularly (e.g. once per year) by an external, funder-engaged contractor. This means the audit focusses on all grants and not just a sub-sample (which can lead to sample error in audit results). Where there are material errors/weaknesses identified in system, corrective action plans are formulated and the funder has a range of options including suspend payment/awards if weaknesses are serious/plans not convincing. This would also be coherent with a lump sum approach. • Establish a portal or repository to upload all legal and financial documentation that would also enable a smooth and transparent follow-up of the audit procedure amongst the multiple actors involved. • Increase awareness of EC auditing practice among CFS auditors. • Establish a feedback loop after the audit in order to help the beneficiary to get on the right track for future projects.
<p>5. The Annotated Model Grant Agreement</p>	<p>1) The Annotated Model Grant Agreement is useful but remains extremely complicated for Framework Programme newcomers and non-proficient users.</p>	<ul style="list-style-type: none"> • Continue the efforts in simplifying the MGA further. • Standardise the different funding instruments and introduce modules per Work Programme (for example General, ERC, MSCA).

³ https://ec.europa.eu/taxation_customs/general-information-customs/customs-security/authorised-economic-operator-aeo_de

	<p>2) The document has merged all funding instruments.</p>	<ul style="list-style-type: none"> • To some beneficiaries it seems that the examples in the MGA are not examples but ‘rules in practice.’ The variation in operating processes and legal requirements across beneficiaries make however such formulative type examples and clauses very problematic. It would be more realistic to formulate those based on strong principles with good examples and a well suited methodology for hearing and reviewing outlier approaches to the guidance. This would be more in line with internationally recognised financial guidelines such as accounting standards and the true and fair view audit opinion. • Publish more real cases of MGA errors so that others can learn from these.
<p>6. Cascade funding and funding for non-linked third parties</p>	<p>Cascade funding is a useful option but currently, only Appendix K and some sections of the Annotated Model Grant Agreement provide some rules for non-linked third parties. These rules however lack the flexibility to implement “cascade funding mechanisms” in an optimal way.</p>	<p>Two essential factors are needed for non-linked third parties:</p> <ul style="list-style-type: none"> • Introduce the possibility to fund third parties that are not known ex-ante (i.e. before the start of a project) without the need to incorporate them to the Grant Agreement and with really minimum legal requirements from the EC. • Add flexibility into involving third parties by allowing the funding of third parties for example up to a certain percentage of the total grant, under broad good financial governance principles.

7. The Pre-Commercial Procurement Instrument in the Research Infrastructure Programme	<p>1) For PCPs, in the present system without lump-sums, the management team dedicates a large part of its time to extensive financial reporting.</p> <p>2) Presently there are no two-stage proposals for PCPs.</p> <p>3) PCP/PPI regulations are not aligned with the reality of digital markets.</p>	<ul style="list-style-type: none"> • The lump-sum pilot will provide a good opportunity to test advantages to the management of a PCP project. • Allow applicants to define the lump-sum in their proposal. • Introduce a two-stage submission procedure if the total evaluation time remains lower than in one-stage evaluations. • Adapt the ‘PCP/PPI’ and ‘virtual access’ funding models to accommodate the realities of digital services in order to encourage their uptake in FP9.
8. Harmonization with other major grant funders	<p>Many of the major European grant funders have varying criteria for direct personnel costs, subcontracting, as well as direct and indirect costs. This is a cause of major administrative burden for organisations with grants from multiple funders as each funder requires its own set of reporting.</p>	<ul style="list-style-type: none"> • The Commission services could initiate discussions with major national funding bodies on harmonizing the accounting rules and regulations of major European and global research funders, with the aim to find best practices for effective and lean grant funding processes and regulations.
9. Negotiations of ERC grants	<p>1) Budgets of already approved ERC proposals have been cut during the negotiation phase.</p> <p>2) The ethical review process remains tedious and is only initiated once a proposal has been granted by the scientific review.</p>	<ul style="list-style-type: none"> • If a proposal has already been approved by the scientific review, the budget should not be cut during the negotiation phase. • Expedite the ethics review process.
10. Lack of pre-agreements to address specific characteristics of intergovernmental research organisations	<p>A multitude of the rules regarding procurement, salaries and arbitrations are in conflict with the established rules of intergovernmental research organisations. While FP7 foresaw “Special Clauses”⁴ to take into account specificities of</p>	<ul style="list-style-type: none"> • We would welcome discussions with the EC on how best to address the (diverse yet in substance often identical) specificities of International Organisations. Bilateral agreements regulating individual terms, such as the ones between the EU and the UN could be

⁴ http://ec.europa.eu/research/participants/data/ref/fp7/100308/rea-special-clauses_en.pdf

	<p>International Organisations, H2020 moved towards limited options in the MGA that could be called upon, and a seldom-used possibility to have a “specific agreement” between the EC and an IO on audit arrangements.</p>	<p>considered, although the overhead involved for all stakeholders given the number of IO beneficiaries is possibly prohibitive.</p> <ul style="list-style-type: none"> As an alternative, building on the “Special Clause” approach in FP7, a standalone Annex (or similar vehicle) to a future MGA could be jointly developed by relevant stakeholders, containing derogations necessary for International Organisations to remain compatible with their legal framework, such Annex to be added as a default whenever an IO is a beneficiary.
<p>11. The Participant Portal</p>	<p>The participant portal is overall a useful tool and has been improved in the past, but several practical issues should still be looked at:</p> <ol style="list-style-type: none"> 1) Submission of proposals: Requirement that Part A is in Adobe format. Adobe Acrobat is not supported by all browsers and also some users do not have a paid subscription to this service. 2) Grant Agreement preparation: The participant portal requests a lot of information to be re-entered. 3) Continuous and Periodic Reporting: For large Research Infrastructures projects, there may be hundreds of users benefitting from TNA and the process of adding them one by one into the system takes a lot of time (the system is very slow and there is a lot of data requested for each researcher). 4) Continuous and Periodic Reporting: The completion of the financial statements as a 	<ul style="list-style-type: none"> Enable to complete Part A directly on the portal rather than having to use Adobe Acrobat. Allow beneficiaries the possibility of seeing the detailed financial statement & Use of Resources as it was completed on the portal, since some details are removed in the automatically generated PDF. It would be valuable to be able to request full information, regardless of the % of the staff costs. Ensure that all data from the proposal (e.g. tables) should be imported automatically into the system. Enable automatic addition of researchers from spreadsheets Replace the “R” button under Actions with “Add details” to make it more user friendly and show the users that they need to provide more information there. Introduce the possibility to download the financial statement and UOR for each beneficiary separately, like in FP7.

	<p>part of the periodic reporting remains unintuitive and more complicated than in FP7</p> <p>5) Continuous and Periodic Reporting: The Entering only the total personnel costs in the Financial Statement, rather than the breakdown of personnel costs and project managers for each Work Package, is error prone.</p> <p>6) Continuous and Periodic Reporting: The system does not allow the possibility of seeing the personnel costs associated to the person months declared for each WP. This information would be useful, especially since the EC requests it as part of the proposal and Grant Agreement, but then it is not followed-up during reporting and also because the salary costs in each WP are different.</p> <p>7) Continuous and Periodic Reporting: The cost statement tool does not allow to request interim budget information or detailed cost items (as done before in FP7, under H2020 you are not obliged to give details for direct cost items if below 15% of staff cost). Sometimes this information is essential for person months to follow-up beneficiaries, especially if spending or work delivery is low.</p> <p>8) Continuous and Periodic Reporting: After the submission of periodic reports, it remains</p>	<ul style="list-style-type: none"> • Provide more guidelines on how to complete the periodic report directly on the portal. • Introduce the possibility to see the Periodic Report the way it was completed (e.g. similar to Continuous Reporting) and have the option of downloading the PDFs from each relevant tab there. • Improve participant portal performance and reliability. • Enable for the project officer to get a “common view” to guide coordinator and for the coordinator to guide the beneficiaries • Add the possibility for EIROs to tick “Europe” as nation, to avoid to be counted for a specific country and hence not fulfilling the country balance (e.g. MSCA) • Introduce the possibility to export into Microsoft excel and equivalents such as Apple Numbers and LibreOffice. • Continue organising stakeholder sessions/workshops dedicated to the improvement of the PP. • Increase the resources of the Research Enquiry Service (RES) in order to respond faster to applicants. • Overall, the participant portal could be developed more in the direction of a project management tool. • Introduce the identification of financial statements based on the beneficiary acronym rather than the PIC number.
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	<p>difficult to identify the documents automatically generated by the system.</p> <p>9) Long-response times and slow operational access.</p> <p>10) The difference in the Specific view between coordinator/beneficiary/project officers creates confusion among consortium partners.</p> <p>11) The H2020 Participant Portal Helpdesk, the Research Enquiry Service (RES) can take months to respond to inquiries.</p>	
<p>12. Specific Points related to European Joint Programme Co-fund</p>	<p>1) It is difficult to place direct contracts with Industry and the result is a very complicated procedure with a sequence of calls.</p> <p>2) The Grant agreement conditions for the declaration of costs for the use of research infrastructures are complex.</p>	<ul style="list-style-type: none"> • A scheme would be preferable that could allow both a simplified procedure for subcontracting and a full reimbursement rate for industry. • It would be desirable to have lighter conditions for the accounting of the costs for the use of facilities and/or a simpler methodology for the calculation of the unit costs.