

Commission to cut further red tape in research funding procedures - Questions and Answers

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Why is simplifying research funding important?

Research and Innovation are at the core of the EU's Europe 2020 initiative, under the Innovation Union flagship initiative. The Commission will bring forward a European Plan for Research and Innovation in autumn 2010

A pre-requisite for delivering results is that research programmes should be highly attractive and accessible to researchers, to European industry and entrepreneurs, to universities and all other research and innovation actors.

That will require clarity of objectives and instruments, consistency and stability of rules and lightness and speed of administrative procedures.

Improving funding procedures will feed through into better research results, achieved more efficiently, and thus ultimately contribute to the development of new products and services that can create new sources of growth and jobs, make Europe more competitive and improve quality of life.

What is the link to the revision of the overall Financial Regulation governing Commission expenditure?

Simplification – across all funding programmes, not just research - is a major goal of the Commission proposal for the triennial revision of the Financial Regulation, due in May 2010.

Only under a new and simplified Financial Regulation will many of the changes proposed in today's Communication be possible.

What progress has been made towards simplification so far?

The Seventh Research Framework Programme (FP7) includes strong elements of continuity with its predecessors. However, a number of simplifications were also introduced. Some were already included in the original legal basis of FP7, others are based on the Commission's ongoing efforts to improve the rules and procedures.

These achievements in FP7 include:

- Considerable reduction of ex-ante controls and designed to ease the participation of SMEs and high-tech start-ups. 80% of FP7 participants are exempt from an ex-ante financial capacity check;
- Major reduction of the number of certificates on financial statements to be provided with periodic cost claims. 75% of FP7 participants are exempt from providing such certificates, which cost between one thousand and several thousand Euros each to provide, so these exemptions are overall saving tens of millions of Euros compared to FP6.

- Introduction of a single registration facility, thus avoiding applicants having to supply the same information every time they take part in a grant application. Nearly 22 000 entities are already registered.
- Streamlining of reporting requirements;
- Improvements to IT tools ("e-FP7");
- Improvements to the service and guidance offered to applicants;

On the basis of 150 FP7 calls, there has been a significant reduction in "time-to-grant". The overall median (the interval after which half of all grants in a call are signed) in FP7 is currently 330 days, i.e. 30 days (or 10%) shorter than in FP6.

What are "time to grant" and "time to pay"?

Time to grant is the interval between the deadline for bidding for funding in response to a call for proposals and the signature of a grant agreement. Time to pay is the interval between submission of a cost claim (accompanied by a report) and the actual payment to the beneficiaries.

How has the European Research Council contributed to simplification?

The European Research Council (ERC) is a new body on the European research funding landscape, with novel ways of working. It has proved to be user-friendly and has fast granting and payment procedures, which has already benefited researchers in Europe. Thanks to the new approach, the ERC's "time to grant" is already comparable with major funding institutions such as National Science Foundation (NSF) and the National Institutes of Health (NIH) in the United States: for example, payments related to grants reach the beneficiary in less than 20 days on average.

This model however is not transferable to FP7 as a whole because ERC funding is targeted on individual researchers, while most FP7 funding involves multi-partner cross-border projects.

How will further simplification be taken forward?

Despite the progress achieved, stakeholders are calling for further simplification, and the EU institutions recognise that this is needed and will require more substantial changes, including to the legal basis.

This Communication, which is based on wide consultation with scientists and research stakeholders, will launch a broad inter-institutional discussion on reviewing the regulatory framework of research policy and will help the European Commission to develop new concepts for research funding, in synergy with the new Financial Regulation that Commissioner Lewandowski will be putting forward in May.

The Commission proposal in the autumn for a European Research and Innovation Plan will contain specific details on the way forward. Legislative steps and rule changes will then follow where necessary.

Radical simplification measures require a modification of the current legal framework which can only be achieved with the full commitment and political support of the other EU institutions, in particular the Council and European Parliament.

What steps will be taken without changes to the existing financial rules?

Under the current rules, the Commission has already started implementing practical improvements and this will continue, including notably:

- Better user support: more easily understandable documents, efficient and user-friendly IT tools and optimised business processes to reduce the average time-to-grant and time-to-pay.
- Uniform application of rules: the Commission is committed to ensuring that its organisational set up provides for uniform interpretation and application of the rules and procedures.
- Optimising the structure and timing of calls for proposals: Wherever possible, the Commission will increase the time between call publication and deadline, and take into account major holiday periods.
- More use of prizes: prizes have the advantage of a high leverage effect (many applicants invest resources but only the winner gets funded). They are also easy in terms of financial management (no budgeting or cost reporting, no financial control). In addition, they set scientific-technical targets without specifying the path to reach them or the scientific disciplines to be involved, thus inciting unconventional solutions and multi-disciplinarity. The Commission will initiate a pilot action under FP7.

How would the proposals change the current rules applied under the current cost-based system?

These changes would require changing the existing financial rules, which requires a decision of the European Parliament and Council.

The changes would involve a broader acceptance of usual accounting practices in compliance with applicable accounting and auditing standards: such an approach avoids the need for beneficiaries to set up separate accounting systems, provides more legal certainty for beneficiaries and diminishes the risk of errors.

Average personnel costs methodologies applied as usual accounting practice by the beneficiary would be accepted. This means beneficiaries could apply in all cases their usual average personnel cost systems under the sole condition that it is based on the payroll costs registered in the statutory accounts. This avoids the need to calculate the exact cost of individual tasks performed by staff.

The range of special conditions that currently apply depending on the type of project and beneficiary would be reduced to increase simplicity. The Commission suggests two possibilities: reduce the number of combinations between funding rates, organisation types and activity types. Or reduce the number of methods for determining indirect costs.

The obligation to open interest-bearing bank accounts and to recover interest on pre-financing would be removed.

Time recording for personnel cost accounting is perceived as particularly burdensome by some beneficiaries. Such a requirement could be dropped if lump sums for personnel per beneficiary, based on an ex ante estimation of the personnel costs per beneficiary, were established and agreed during grant negotiations.

To help SMEs, in which the owner-managers carry out a major part of the project themselves without a salary registered in the accounts, the Commission aims to introduce a lump sum system based on scales of unit costs.

What kind of results-based approaches could be considered under FP8?

The three options suggested are:

- (1) Project-specific lump sums as a contribution to project costs estimated during grant evaluation/negotiation, and paid against agreed output/results: An ex-ante estimation of adequate total eligible costs of the project and the definition of measurable output/results would be part of the evaluation and negotiation process. A project-specific lump sum would be established on the basis of the estimated total eligible costs. The lump sum would be paid on the basis of the acceptance of the agreed output/result.
- (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 evaluation of proposals would include (in addition to the main criterion of scientific excellence) an award criterion: the resources that the consortium is willing to invest itself in addition to the lump sum. The approach would provide an incentive for a higher leverage effect of EU funds and would introduce a more direct element of competition between bidders.
- (3) A high-trust "award" approach consisting in distributing pre-defined lump sums per project without further control by the Commission: the selection of the awardees would be based on a highly competitive process. It could be understood as a "best-proposal prize". After the selection, the funding would be given as a lump sum without further financial or scientific checking by the Commission. The approach would rely on the self-control and the incentive structure inherent in the scientific community and would be particularly suitable for the projects under the European Research Council.

What is the timetable for adopting FP8?

The FP8 will need to enter into force on 1 January 2014. To allow time for this, the Commission is likely to make a proposal to the Parliament and Council in late 2011 or early 2012

Just as for previous Framework Programmes, there will be extensive consultation with stakeholders before the Commission brings forward its proposal. This consultation is likely to begin in early 2011.

The design of research funding after 2013 is part of the broader discussion on the future shape of the EU-budget. That design will also need to be in line with the Europe 2020 Strategy, which gives a top priority to research and innovation.

What is a Tolerable Risk of Error?

Financial transactions can rarely be absolutely free of risk of error. The error rate is (roughly) defined as the relation between the amount of costs wrongly declared and the overall costs (in a project, a collection of projects or a whole programme). Reducing error rates requires increased control efforts and increase costs of control. Those costs must be balanced against the financial benefit of avoiding or correcting errors. A tolerable risk of error is a risk of error taking into account this cost benefit assessment, and also other policy arguments. The Commission strives to agree such tolerable risks of error by policy area with the Budgetary Authorities.

The purpose of this concept is to ensure a proper balance between the extent of controls and the effectiveness of policy.

Why does the Communication not contain a proposal for what the level of the TRE for research funding should be?

Today's Communication announces the intention to propose a research-specific TRE but this can only be achieved under the revised Financial Regulation. So the concrete proposal, with a specific figure for the TRE, will be put forward alongside the proposal for the revision of the Financial Regulation in May 2010.

A lump sum approach for whole projects implies tough ex-ante controls, both financially and for defining deliverables. How would you tackle this?

A result-based approach requires reinforced and different types of ex-ante controls, including agreed mechanisms for establishing lump sums and for defining measurable deliverables. The Communication provides options for opening a debate. The details would be defined in subsequent legislative acts that will be accompanied by appropriate impact and risk assessments. Moreover, as we are aware that such a change of approach is not easy, the Communication states that a broader application should be preceded by pilot actions in selected areas.

How did the rules get so complicated in the first place?

Over 25 years, the EU's Research Framework Programme has expanded significantly in terms of scope and budget. This resulted in more participants and a need for more controls to ensure that the EU funds are spent correctly. To achieve this, a number of different rules and administrative procedures were developed, but participation in EU-funded projects became complex.

How can EU taxpayers be reassured that simplification will not mean lax financial controls and more waste?

Under all circumstances, the Commission in its role as steward of EU taxpayers' money will maintain sound financial management, including appropriate fraud prevention measures.

Any subsequent legislative proposal for introducing simplifications will be subject to a thorough risk assessment as part of the overall ex-ante impact assessment, and to comprehensive fraud-proofing.

Multiplying checks under complex procedures is not the best way to achieve value for taxpayers' money, not least because of the significant cost of these procedures and of the discouraging effect on applicants, especially SMEs.

How much time can be saved by simplification?

Several measures proposed in the Communication will contribute to a further reduction of time-to-grant and time-to-pay (improved guidance, more efficient IT tools, optimised processes, smaller consortia, smaller variety of funding rules). If all proposed measures were fully implemented, a further reduction of time-to-grant in the order of 20% could be expected. As concerns time-to-pay, the measures will contribute to achieving the Commission objective of making 100% of the payments within the deadlines set by the Financial Regulation (current figures for the framework programme are in the range of 80%-90%).

How much money can be saved by simplification?

Money can be saved in two ways, by reducing the costs to applicants of complying with procedures and by reducing the cost to the Commission of applying them.

A quantification of the potential overall reduction is not possible at this stage, as it depends on the Tolerable Risk of Error finally accepted.

But as background information, on the Commission side, the cost of implementing the research framework programmes was about 267 million euro in 2008. Every ex-post audit rendered unnecessary by reforming the rules would save an average of € 60 000

Which departments of the Commission are directly involved in running FP7? Which agencies are involved? How is all this coordinated?

The departments of the Commission directly involved in running FP7 are

Directorates-general:

Research
Information Society and Media
Mobility and Transport
Education and Culture
Enterprise and Industry
Energy

Agencies:

ERCEA (European Research Council Executive Agency),
REA (Research Executive Agency)

The legal framework and more detailed guidance documents are the same for all DGs. For the continuous improvement of documents, processes and systems, there are several inter-DG working groups, chaired by the Research DG. There is also a strong inter-DG governance on IT matters. A Task Force has been established by the Commission to review the coordination mechanisms between the Research DGs. This Task Force also deals with the issue as to how ensure a single audit approach in the research area.

Finally, the Commission President has given a mandate to the Research and Innovation Commissioner Máire Geoghegan-Quinn to chair a group of Commissioners dealing with these subjects.

EU research funding represents 5% of overall public funding in Europe - what steps are being taken to simplify and streamline national funding? How is the Commission involved?

National research funding procedures are compartmentalised in 27 different systems which have evolved separately. Simplifying these national rules is an obvious way of reducing the complex array of different conditions and funding schemes that European researchers are facing. The Commission established in early 2010 a Stakeholder Platform with key EU research funders and beneficiaries, to draw up common principles governing research funding across the EU.

The Commission is helping Member States to set up and manage Joint Programming Initiatives to tackle some grand challenges – the pilot Joint Programming initiative, on neurodegenerative diseases like Alzheimer's, was launched a couple of weeks ago. Commission recommendations have just launched further initiatives on "Agriculture, Food Security and Climate Change", "A Healthy Diet for a Healthy Life" and "Cultural Heritage and Global Change".

Thanks to Commission programmes such as the Marie Curie scheme and initiatives such as the Researchers charter, European researchers increasingly have access to non-national programmes and/or travel to follow their research interests. They are however facing complex barriers. Simpler rules for the Framework Programme - to which all ERA researchers have access - will set benchmarks for national programmes based on best practice.

What will be the mandate for the expert group set up to review FP 7? How does this relate to the simplification proposals?

The mandate for the expert group is wide, as it covers the rationale, the design, the implementation and the impact of FP7. At the same time the mandate highlights the importance of issues such as the impact of FP7 on the European Research Area, the global position of Europe in science and technology, the efficiency of novel measures under FP7, or the role of cross-cutting research to tackle great societal challenges.

One key issue within the mandate of the expert group is also to assess to what extent simplification measures in FP7 have been effective. This assessment will include fundamental issues like the adequate balance between risk taking and cost of control.

Who are the group members and how were they selected?

The expert group comprises ten independent experts, who have been appointed by the Commission on the basis of their high level of expertise in the fields of research and technological development and their skills in the different fields covered by FP7, combined with the ability to examine science policy questions and analyse the general context.

The group is chaired by Rolf Annerberg, Director General of the Swedish Research Council for Environment, Agricultural Sciences and Spatial Planning (FORMAS).

The "rapporteur" of the group is Professor Iain Begg from the London School of Economics.

The table below presents the membership in this expert group in full detail:

Name	First Name	Nationality	Gender	Position / Former Position
ACHESON	Helena	IE	F	FORFAS, Head of Division for Science, Technology & Innovation Policy & STI Awareness Programmes
ANNERBERG	Rolf	SE	M	Director General of the Swedish Research Council for Environment, Agricultural Sciences and Spatial Planning
BEGG	Iain	UK	M	London School of Economics
BORRÁS	Susana	ES	F	Professor at Copenhagen Business School and visiting Professor at Lund University
HALLÉN	Arvid	NO	M	Director-General of Research Council of Norway
MAIMETS	Toivo	EE	M	University of Tartu, former Research Minister
MUSTONEN	Riitta	FI	F	Vice-President for Research, Academy of Finland
RAFFLER	Hartmut	DE	M	Head of Information and Communications Division (Siemens corporate Technology)
SWINGS	Jean-Pierre	BE/USA	M	Université de Liège 'Institut d'Astrophysique des Hautes Energies (GAPHE)
YLIHONKO	Kristiina	FI	F	Research manager and CEO at Galilaeus Oy - Visiting Professor of Turku University