



EUROPEAN PARLIAMENT

2009 - 2014

Committee on Industry, Research and Energy

2010/2079(INI)

23.6.2010

DRAFT REPORT

on simplifying the implementation of the Research Framework Programmes
(2010/2079(INI))

Committee on Industry, Research and Energy

Rapporteur: Maria da Graça Carvalho

CONTENTS

	Page
MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION	3
EXPLANATORY STATEMENT	9

MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on simplifying the implementation of the Research Framework Programmes (2010/2079(INI))

The European Parliament,

- having regard to the Commission Communication on simplifying the implementation of the Research Framework Programmes (COM(2010)0187),
 - having regard to the Commission decision of 23 June 2009 on Acceptability Criteria for Average Personnel Cost Methodologies (COM(2009)0187),
 - having regard to the Expert Group Report ‘Ex-post Evaluation of the Sixth Framework Programmes (2002-2006)’ (‘the Rietschel Report’) and the subsequent Commission Communication (COM(2009)0210),
 - having regard to the Commission Communication of 26 May 2010 entitled ‘More or less controls? Striking the right balance between the administrative costs of control and the risk of error’ (COM(2010)0261),
 - having regard to the Council conclusions on ‘guidance on future priorities for European research and research-based innovation in post-2010 Lisbon strategy’, adopted on 3 December 2009, and the Competitiveness Council conclusions on ‘simplified and more efficient programmes supporting European Research and Innovation’, adopted on 26 May 2010,
 - having regard to Rule 48 (and 119(2)) of its Rules of Procedure,
 - having regard to the report of the Committee on Industry, Research and Energy and the opinions of the Committees on Budgetary Control and Regional Development (A7-0000/2010),
- A. whereas the Seventh Framework Programme (FP7) is the largest transnational R&D programme in the world and a critical element in the realisation of a European Research Area and the fulfilment of objectives of the EU2020 strategy,
- B. whereas research provides a fundamental contribution in terms of economic growth and job creation,
- C. whereas the FP requires the highest standards of excellence, efficacy and efficiency to attract and keep the best scientists in Europe and generate a knowledge-based EU economy,
- D. whereas the current management of FP7 is characterised by excessive bureaucracy, low risk tolerance, poor efficiency and undue delays that act as a clear disincentive to the participation of the research community, academia, businesses and industry (especially SMEs),
- E. whereas all stakeholders are calling for further simplification and harmonisation of rules

and procedures, with simplification not an objective *per se*, but rather a means to ensure the attractiveness and accessibility of EU research funding,

- F. whereas result-based funding might limit the scope of the research projects to less risky projects and research orientated towards the market, something that would hamper the EU in pursuing excellence and frontier research,
- G. whereas research and innovation need to be clearly distinguished as two different processes (research is turning investment into knowledge and innovation is turning knowledge into investment),
- H. whereas the current simplification process comes at a crucial moment, providing impetus for the Midterm Review of FP7 and for the preparations of the forthcoming FP8,
- I. whereas the design and implementation of the current FP7 and future Framework Programmes must be based on the principles of simplicity, stability, legal certainty, consistency, excellence and trust,
 - 1. Supports the Commission Communication's initiative in simplifying the implementation of the Research Framework Programmes, providing serious and creative measures in dealing with the bottlenecks faced by the FP participants;
 - 2. Draws attention to the fact that, despite the importance of the simplification process, it is only one of the necessary reforms required to improve EU research funding;
 - 3. Highlights the need to stipulate, in the case of each individual simplification measure, whether it enters into force under the current legal framework or whether changes to the rules of the Financial Regulation, Rules of Participation or the specific rules applying to FP programmes are required;

A PRAGMATIC SHIFT TOWARDS ADMINISTRATIVE AND FINANCIAL SIMPLIFICATION

- 4. Welcomes the increasing efforts towards the administrative and financial simplification of FP rules throughout programme and project life cycles (application, evaluation and management), something that should be of primary benefit for stakeholders;
- 5. Highlights that any simplification process should be carefully deployed within the current FP7 to maintain stability, consistency and legal certainty for the participants;
- 6. Expresses its concern that the current system and the practice of FP7 management are excessively control-oriented, thus leading to waste of resources, lower participation and less attractive research landscapes; notes with concern that the current management system of 'zero risk tolerance' seems to avoid rather than to manage risks; calls therefore for the revision and/or extended interpretation of the EU Staff Regulation on the issue of personal liability;
- 7. Considers that EU monitoring and financial control should be primarily aimed at safeguarding public funds and combating fraud, whilst distinguishing clearly between fraud and errors;

8. Believes that European research funding should be more trust-based and risk-tolerant towards participants at all stages, with flexible EU rules that can be applied in accordance with national regulations and practices;
9. Supports fully the adoption of a higher rate of tolerable risks of error (TRE), something that reduces both complexity and ex-post audits, ensuring a proper balance between sound financial management and appropriate controls; emphasises that it is crucial to ensure that the rules of participation are interpreted and applied in a uniform manner, leading to a decrease in the error rate;
10. Agrees and recommends broader acceptance of usual accounting practices for the eligible costs of participants, especially for average personnel cost methodologies, provided that these procedures are in accordance with national rules and certified by, national authorities, leaving enough flexibility to each beneficiary to use either actual personnel costs methodology or average personnel costs methodology;
11. Supports the reduction in combinations of funding rates and methods for defining indirect costs across the different instruments; acknowledges that neither the current differentiation between universities/research centres, industry and SMEs nor the differentiation between activities (management, research, demonstration and dissemination) should be abolished;
12. Calls on the Commission to further clarify the terminology on the use of flat-rate and lump sums; is of the opinion that lump-sums and flat rates should be exceptional and used on a voluntary basis and only in justified cases;
13. Favours the introduction of lump sums covering 'other direct costs'; calls on the Commission rigorously to assess the use of lump sums for personnel costs; highlights that lump sums are the most effective alternative for International Cooperation Partner Countries within the FP;
14. Acknowledges that reducing the size to smaller consortia, whenever possible, contributes to simplifying the process and shortening the time-scale of the projects;
15. Favours the total abolition of time-recording mechanisms, such as time-sheets (this abolition should not be restricted to the use of lump sums);
16. Welcomes the immediate lifting of the obligation to recover interest fees on pre-financing;
17. Requests further clarification on the definition of eligible costs (such as taxes and charges in personnel costs), as well as on the question whether VAT can be covered under eligible costs; requests further clarification on procedures related to exchange rates for partners using different currencies;
18. Asks the Commission to present more precise, consistent and transparent rules of procedure for audits and to report on the cost/benefit ratio of the audits;
19. Urges the Commission to implement the 'single audit approach' and to switch to real-time auditing performed by a single entity, thereby allowing beneficiaries to correct any

systemic errors and hand in improved cost statements the following year;

20. Calls on the Commission to provide legal certainty by refraining from applying any rules for participation retroactively and by refraining from recalculating financial statements already approved, hence reducing the need for ex-post audits and retroactive corrections;
21. Invites the Commission to report regularly to Parliament on the administrative cost of FP7, including the management costs for both the Commission and participants, as well as on measures taken or planned to reduce this cost;

A RADICAL SHIFT TOWARDS IMPROVING QUALITY, ACCESSIBILITY AND TRANSPARENCY

(a) Moving to a ‘science-based’ approach

22. Reminds the Commission that beneficiaries of EU programmes are assumed to carry out funded activities in good faith and making their best effort to achieve the results expected;
23. Is therefore concerned about the current Commission’s overall trend towards result-based funding (essentially justified by the principles of sound accountability) and is deeply concerned about the possible impact of result-based funding on the quality and nature of research; is equally concerned about the potential outcome in terms of further ex-ante and ex-post evaluation of project output/results;
24. Regards as inadequate the general use of lump sums such as negotiated project-specific lump sums or pre-defined lump sums per project; favours instead the ‘high-trust’ approach tailor-made for frontier research; recommends launching pilot tests of the ‘result-based funding’ with project-specific lump sums paid against agreed output/results for research and demonstration projects in specifically challenging areas;
25. Agrees that the use of prizes is to be encouraged but not as a substitute for properly structured funding;
26. Favours instead a ‘science-based’ funding system, with emphasis on scientific/technical criteria and peer review based on excellence, relevance and impact, with simplified and efficient financial control; believes that this science-based approach will entail a major shift from the financial to the scientific/technical side with regard to control mechanisms; considers that this approach allows stakeholders to focus their efforts on their core competences, on scientific matters and on the construction of the ERA;

(b) Optimising time

27. Welcomes the overall trend towards shortening the average time-to-grant and time-to-pay but expresses some reservations about the generalised use of larger-scope calls and calls with cut-off dates;
28. Expresses its concern that current average time from proposal deadline to signed contract (time-to-contract) is still too long, with discrepancies within different services of the Commission; calls on the Commission to shorten time-to-contract to 6 months and to fix

appropriate deadlines for evaluation and contract negotiation, based on a benchmark system;

29. Has strong reservations about the effects of abolishing the opinions provided by Member State representatives with regard to selection decisions, especially in security and defence research and in cases of ethical evaluation of projects; favours instead a simplified written procedure based on the current mechanisms;
30. Supports the general trend towards a ‘two-stage’ application procedure, particularly in cases where the expected oversubscription is very high, provided that the evaluation is undertaken thoroughly in the first stage (objectives, scientific approach, competences of participants, added value of scientific collaboration and overall budget); stresses that this increases the chances of success at the second stage, provided that it is not at the expense of longer time-to-contract or grant periods; believes that this approach reduces application costs;

(c) Shifting to a ‘user-centred’ approach in terms of access

31. Underlines that the FP management must place beneficiaries at the centre of its missions and provide better access to FP;
32. Calls for substantive improvement of the clarity and accessibility of guidance documents (e.g. financial rules), translated into the EU official languages;
33. Recommends improvement in the stability provided to stakeholders by having, as far as possible, one single Commission project officer, delivering personalised support throughout the lifetime of a project with consistent implementation of rules;
34. Supports a further introduction of e-administration and IT tools and, in particular, the development of a research participant portal; calls on the Commission to establish an integrated and user-friendly online system; supports making all electronic information on programme management available (identification, application, negotiation and report); supports making this online system available on day one of the programme; is of the view that videoconferencing should be promoted to replace face-to-face meetings;

SYNERGIES OF PROGRAMMES AND INSTRUMENTS

35. Urges that the complexity of EU programmes (e.g. FP, CIP, Structural Funds) and associated instruments (JTIs, Article 187 initiatives, PPPs, Article 185 projects, KICs, Era-net etc.) be reduced; stresses that this will lead to full exploitation of synergies resulting from their combined action;
36. Recommends a reduced set of rules to govern EU funding for R&D and calls for coherence and harmonisation in the implementation and interpretation of the rules and procedures; stresses the need to apply this set of rules across the whole FP and associated instruments and within the Commission, regardless of the entity or executive agency in charge of implementation;
37. Recommends establishing mechanisms to provide common guidance within the

Commission, and launching training for project officers and internal auditors; urges the creation of an appeal mechanism such as an 'FP mediator' for participants in cases of incoherent and inconsistent interpretation of rules and procedures;

LESSONS TO BE DRAWN FOR THE FUTURE FP8

38. Believes that a radical overhaul of the administration of the FP is one of the highest priorities to be tackled in designing the forthcoming FP;
39. Considers that the revision of the Financial Regulation, the Staff Regulations and the implementation of a research-specific TRE have a pivotal role in restructuring the research financing framework and in allowing further progress in simplifying research funding;
40. Invites the Commission to assess the usefulness of each individual instrument, within each programme, to select those that have a distinctive role in supporting R&D and to increase coordination between them according to areas of interests, whilst maintaining enough flexibility to accommodate projects' specificities according to size;
41. Supports a science-based funding system and a well balanced division between top-down, impact-driven and bottom-up, science-driven research as the basis for FP8;
42. Believes that FP8 should take into consideration the whole chain of innovation from frontier research, technological development, demonstration, dissemination, valorisation of results and rapid integration of research results into markets;
43. Recommends further internationalisation of FP8 through cooperation with third countries, including developing countries;
44. Instructs its President to forward this resolution to the Council and the Commission.

EXPLANATORY STATEMENT

Science, education and innovation are pillars of economic growth and job creation. Europe must invest in innovation if it is to develop new products and services. These will create new sources of employment and growth, something that will both render Europe more competitive and improve its quality of life. Innovation, however, requires research. Research and innovation are at the heart of the European Union's *Europe 2020* initiative.

The European Research and Innovation programmes, in particular the Framework Programme for Research, Technological Development and Demonstration Activities, have grown in scope over the years both in terms of their applications and the size of their budgets. The increase in the number of applications for funding has been met with a parallel growth in control mechanisms in an attempt to ensure the proper use of EU funds. More rules and administrative procedures, however, have meant that it is increasingly difficult to approach the process with confidence. It is particularly difficult for smaller organisations – SMEs, high tech start ups and smaller institutes, universities and research centres – to cope with this complexity.

The research community urgently calls for a harmonization of the rules and procedures and a general simplification of the financial accountability requirements. Recently, 13.000 researchers put their name to a petition requiring more simplification and trust in EU research funding. This is a generalized feeling amongst researchers, academics and industry members. It is certainly necessary to simplify the mechanisms involved in the Framework Programmes for Research, Technological Development and Demonstration Activities, FP7 and FP8 and all the European Commission Science and Innovation programmes.

The current system should be replaced by a system that places greater trust in the applicants. A way ahead would be to simplify the monitoring of financial and administrative aspects to projects whilst reinforcing the scientific and technological assessment process. This supposes peer review and, with it, the application of excellence based criteria to assessment. Of course, all financial transactions involve a degree of risk but excessive concern about controlling this risk through administrative supervision can actually increase the overall cost of the process. It should be possible to, firstly, tolerate higher levels of risk (thus streamlining bureaucratic control) whilst, secondly, placing more confidence in the scientific and business community. It is necessary to strike a balance between trust and control – between risk taking and the dangers that risk involves – in ensuring the sound financial management of EU research funds.

There is a real demand for improvement and streamlining of research funding and administration. At present, there are different rules and procedures for different instruments of the Framework Programme, for different kinds of institution (universities, research centres, industry and SMEs) and for different types of activity (e.g. management, research, demonstration). This three-dimension matrix (instruments, institutions and activities) is contained within a number of concentric layers of rules and procedures. These layers are made up of rules of participation, specific programmes, financial regulation, tolerable risk of error and staff regulation that directly or indirectly influence the Framework Programme.

The rapporteur welcomes the communication ‘Simplifying the Implementation of the Research Framework Programmes’. This sets out a serious and creative plan for a reform addressing many of the difficulties experienced by participants in the research Framework Programs.

However, the relation of the proposed changes to the existing financial regulation is unclear. Some of the measures proposed by the Commission require changes in the financial regulation. Others require changes in the rules for participation or in the rules of the specific programmes of the Framework Programme. Finally, some measures require changes across the board or no changes at all.

Secondly, the rapporteur is concerned about the link between funding and results. On the one hand, the openness of the European Commission to reconsidering the funding rules of its research programs is appreciated. However, changes are to be considered carefully and thoughtfully, taking into account not only financial and administrative motives and consequences for beneficiaries, but also the possible impact on quality of research and innovation itself. The rapporteur is also concerned that the option for result-based funding might lead to less risky projects and more close to market research. Europe needs more innovation but we have to maintain frontier research as the basis for innovation. Moreover without excellence in research there is no innovation.

The rapporteur strongly urges the simplification of access to funding for research. It is necessary to develop a culture of reciprocal confidence involving all stakeholders. This will enhance research and innovation whilst making Europe a more attractive place to live and work

As a result, this report has genuine relevance and urgency. It is particularly timely, given that we are now just about to begin the interim evaluation of the FP7 and to start on the preparation for the FP8. The report is intended to provide a firm foundation upon which we can subsequently build.

A PRAGMATIC SHIFT TOWARDS ADMINISTRATIVE AND FINANCIAL SIMPLIFICATION

The reduction of the complexity and simplification of the EU research funding landscape should have a positive impact mainly on the stakeholders. The European Parliament, in its discharge resolution for 2007, drew attention to the increase in diversity. It also called for an assessment of the problems for the beneficiaries, including lack of transparency. The simplification process should provide stability and legal certainty for the participants.

Therefore, the simplification of financial accountability requires a more trust-based and risk-tolerant approach in European research funding. This involves acceptance of the usual accounting and management principles and practices of the beneficiary provided they are in accordance with and certified by national authorities. It also entails acceptance of audits and certificates on the methodology provided by national authorities as well as financial control aiming to safeguard public funds and combat fraud. The ‘single audit approach’ and real-time

auditing, performed by a single entity, would allow beneficiaries to correct any systemic error.

For each measure, it is necessary to stipulate whether a change in the financial regulation or in the rules for participation or in the specific programmes is required or not. Moreover it is necessary to stipulate if the measures are to be applied to FP7 or only to FP8. For FP7, the rapporteur is in favour of phasing these changes in gradually in order to avoid sudden drastic changes in direction within the same framework program.

The rapporteur also supports the idea of reducing the combination of funding rates and indirect costs calculation methods across financing schemes. However, the funding rates and indirect costs calculation models should be different for universities, research organizations and industry. The reason for this is that costs differ considerably between these kinds of entities. Funding rates should be different for different types of activities. Harmonisation of rules should be mainly targeted at the different instruments. Furthermore, the rapporteur is of the opinion that smaller consortia and the use of simpler central mechanisms will lead to simplified procedures.

Also the terminology in use on complex concepts such as lump sums and eligible costs should be clearly defined so as to avoid different interpretations. Clarification on the eligible costs such as taxes is of utmost importance. So too is consistency in the application of rules across the European Commission services and in different audits.

A RADICAL SHIFT TOWARDS THE IMPROVEMENT OF QUALITY, ACCESSIBILITY AND TRANSPARENCY

a) Moving to a ‘science-based’ approach

Excellence must be the most important driving force for research funding and a ‘result-based’ approach may lower the scientific ambition of researchers. Consequently, instead of a ‘result based’ approach, the rapporteur proposes a ‘science-based’ funding system. This will entail simplification of the control of the financial side, an emphasis on the scientific-technical side and peer review based on excellence. Indeed, a coherent, transparent and harmonised professional peer review system that uses excellence should be the most important criterion for evaluation, as is the case with the ERC evaluation system. Finally, the use of prizes should be encouraged within reason. However, the use of prizes as a means of funding research should not take the place of structured financing.

b) Optimising Time

All stages of the process should be optimised to avoid delay and encourage cost effectiveness. This involves the access to draft Work Programmes, call publication, drafting the proposal, the selection procedure and the time taken to approve grants and to pay.

Reduction in time-to-grant is very much welcome. However, the rapporteur has strong reservations about the Commission proposal to remove the requirement for Member States to provide opinions on selection decisions. It is important that Member States have the power of scrutiny, especially in security and defence research and in cases of ethical evaluation of projects.

The Commission proposes a more generalized use of two-stage proposals. Two-stage submission will reduce the burden of drafting full proposals but may also increase the length and complexity of the submission process. Therefore, the rapporteur supports the two-stage application procedure provided that evaluation is undertaken thoroughly in the initial stage. This should also reduce the costs of application.

c) Shifting to a ‘user-centred’ approach in terms of access

The rapporteur considers that a better access to the program and user support can be achieved by improving the guidance material (less jargon and more consistency in terminology). This can be done by optimizing the IT-systems, supporting project management and by through personalized support by the EU Project Officer (maintain the same project officer throughout the lifetime of the project). For this reason, the rapporteur supports the full integration of grants, evaluations and proposals into a unique IT platform. This should be sound, flexible and easy to use. The same platform should be used across all E. C. services and Agencies.

SYNERGY OF PROGRAMMES AND INSTRUMENTS

The rapporteur welcomes the commitment of the Commission to ensuring uniform interpretation and application of rules and procedures across all programs and instruments. Moreover the implementation of the rules across the four European Commission Directorates-General and Agencies as well as the Joint Undertakings implementing the JTI should be uniform. However, the rapporteur strongly recommends a different set of rules for research centres and universities and then for industry and again for SMEs.

The reduction of complexity in EU programs and associated instruments will contribute to achieving optimised synergies as a result of their combined action. It is also desirable to construct common guidance mechanism within the Commission (training of project officers and auditors and creation of a FP mediator).

LESSONS TO BE DRAWN FOR THE FUTURE FP8

The rapporteur considers the simplification of the administration as one of the highest priorities for the forthcoming FP. Furthermore, the revision of the Financial Regulation, the Staff Regulation and the implementation of a research-specific Tolerable Risk of Errors (TRE) are of major importance in restructuring the Research financing framework. At the same time, the rapporteur invites the Commission to assess individual instruments and to increase the coordination between them, whilst maintaining enough flexibility to accommodate project specificities according to their size.

The rapporteur considers that innovation is the result of an efficient and appropriately funded education and research system together with framework conditions, such as an adequate IPR policy, the existence of venture capital, open markets and smart regulation. Therefore, it is important that the Framework Programme takes into consideration the whole chain of innovation from frontier research, to applied research, technological demonstration, dissemination and valorisation of results. The rapporteur supports a science-based funding system and a well balanced division between directed, top down, impact-driven and non-directed, bottom-up, science-driven research as the basis for FP8.

Finally, the rapporteur also believes that further internationalisation of FP is desirable. This should entail greater cooperation with third countries including developing countries.