

Opinion of the European Economic and Social Committee on the ‘Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions — Simplifying the implementation of the research framework programmes’

COM(2010) 187 final

(2011/C 48/22)

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

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

COM(2010) 187 final.

The Section for the Single Market, Production and Consumption, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 1 September 2010.

At its 465th plenary session, held on 15 and 16 September 2010 (meeting of 15 September), the European Economic and Social Committee adopted the following opinion by 114 votes, with 1 abstention.

1. Summary and recommendations

1.1 The EU research framework programmes must be made more efficient and attractive. To that end, it is essential to simplify how they are implemented.

1.2 Accordingly, the Committee welcomes the Commission communication and in principle endorses the proposals set out therein.

1.3 Moreover, the Committee welcomes the conclusions of the Competitiveness Council of 26 May 2010 on the same subject.

1.4 Increasingly diverse projects and tools which sometimes follow very different rules and procedures have created a key problem for EU research funding. The result has been a system of virtually incomprehensible complexity for applicants and awardees which is further exacerbated by the different rules in place in the various Member States and their funding providers.

1.5 The Committee therefore recommends a gradual harmonisation of the relevant rules and processes, initially as regards research funding from the EU but also, in the long-term, between Member States and vis-à-vis the Commission. Only then will the European research area be completed.

1.6 The EU’s research funding needs a better balance between freedom and supervision. This applies both to drafting the rules and implementing them in practice. The Committee recommends an approach based on trust and feels that this should be a central aspect of European research funding. In this respect, the Committee supports the

Commission proposal to increase the *tolerable risk of error in the research field* ⁽¹⁾.

1.7 The Committee also recommends the following practical measures that largely tie in with the Commission communication:

— Admission of the awardees’ settlement procedures carried out under existing national rules

— Appropriate and efficient practical implementation of the rules

— Lump sum amounts as options, but not as a pretext for reduced support; actual costs as a basis for calculation

— Maximum possible coherence and transparency of the procedures

— Maximum possible continuity and stability of laws and procedures

— Experienced, internationally recognised experts acting as coordinating officials with adequate latitude in decision-making

— Coherent audit strategy defined by transparent procedures

— Further development of software tools

— Eligibility of value added tax

⁽¹⁾ In this regard, see also COM(2010) 261.

- Simplification specifically for SMEs
- Reliable, clear and timely guides (instruction manuals) for support programmes and instruments.

1.8 The Committee is fundamentally sceptical about the Commission's more far-reaching proposal to consider 'results-based funding' as an alternative support method for the next framework programme, given that it has not yet received any detailed, clear information from the Commission on which to objectively assess, among other things, the (potential) procedural impact of such a move. Nonetheless, the primary purpose and concern of any support programme should clearly be to obtain new and important knowledge by opting for the best and most efficient means of achieving this and making the rules and how they are applied subject to this goal.

1.9 However, as well as simplifying the legal, administrative and financial rules and procedures, it is equally important to streamline scientific and thematic application, evaluation and monitoring procedures, in order to curb overregulation and the deluge of European and national institutional reporting requirements, application procedures, reviews, evaluations, authorisation arrangements, etc., and to work towards harmonisation.

2. The Commission communication

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

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

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

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

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

2.3.2 The third strand covers options for moving towards result-based instead of cost-based funding. This should result in a major shift of the reporting and control efforts from the financial to the scientific-technical side.

3. General comments

3.1 **Importance, efficiency and attractiveness of the R&D framework programme.** The R&D framework programme is one of the most important Community instruments for safeguarding and strengthening European competitiveness and prosperity, complying with the new 'Europe 2020' strategy and shaping the European research area. It is therefore vital that the research framework programme be implemented as efficiently as possible. It has to be attractive for the best scientists and relevant bodies, but also for industry and SMEs, to take part in the framework programme; participating must be worthwhile and be considered a mark of distinction. Attractive and efficient administrative and financial parameters for awardees are essential to this end.

3.2 **Necessary streamlining.** Overall, there has been and continues to be a clear need to considerably improve and simplify the rules and procedures. The Committee has thus repeatedly called for a streamlining of the procedures involved in making use of the research framework programme and was pleased to note that initial measures are already being taken to this end under the 7th R&D framework programme.

3.3 **Council conclusions.** The Committee therefore also welcomes the Council conclusions of 28 May 2010⁽²⁾. The Committee's further remarks and recommendations are also designed to build on and back up the points made in these conclusions.

3.4 **Overall endorsement.** In principle, the Committee therefore welcomes and supports the Commission initiative and the ideas and options presented in the communication. Many of the proposed measures are capable of securing considerable improvements, and thus receive the Committee's full support. This is the case for the streamlining of proposal and grant management under the existing rules or the broader acceptance of the awardees' usual and nationally recognised book-keeping and accounting practices. However, this still does not eliminate the root causes of the current complexity, but merely mitigates its impact. Longer-term efforts should thus also be geared towards eliminating the root causes of the problem in the interests of the single market and the European research area.

⁽²⁾ Council of the European Union of 28 May 2010 - Council's conclusions for simplifying European research and innovation support programmes and making them more effective 10268/10.

3.5 Major cause of the current complexity. A central problem in EU research funding is the increasing diversification of EU programmes and instruments. Some of the new support tools and programmes that have evolved have their own, highly diverse funding rules and procedures (such as JTI's under Article 187, initiatives under Article 185, EIT, ERA-Nets, PPP, etc.). This means more complications for awardees, which not only makes the invested resources less effective, but also makes the framework programme less attractive to top scientists. This in turn compromises the success of the framework programme.

3.5.1 Different rules in different Member States. This complexity is further aggravated by, in some cases, widely differing sets of rules in the individual Member States and their national funding providers, which, after all, play an important and often decisive role in the support projects. To understand the full implications of the problem, it should be remembered that, for nearly all of the projects supported by the Commission (with the exception of those of the European Research Council [ERC]), the participation of researchers and funding bodies **from at least three Member States (!)** is required.

3.6 Harmonisation of the rules. The Committee's recommendation is therefore that all those responsible for developing the European research area should reduce this diversity and variety in the legal, administrative and financial rules within the R&D framework programme: **the rules governing the R&D framework programmes need to be harmonised/simplified and scaled back.** Tried and tested support tools under the framework programme must be identified, and must continue to be used in a uniform way. A single legal framework must be applied to all European R&D support measures under the framework programmes.

3.7 A further objective. A further objective would, however, be to simplify support tools and settlement procedures (see also point 4.1) not only within the R&D framework programme itself, but also among Member States and with the Commission. This might also eliminate some of the known obstacles to greater cross-border mobility by scientists. All in all, this would be an important step towards completing the European research area. Although this important goal might currently be viewed as utopian, it should nevertheless be pursued with patience and persistence, perhaps just one step at a time, **since achieving this goal would be a key step towards completing the European research area.**

3.7.1 Plurality in research. This kind of streamlining must under no circumstances limit the plurality of research methods, approaches and choice of issues⁽³⁾, which the Committee

regards as vital. Plurality (in research) is not wasteful, but is a necessary means of optimising and making progress in the search for new knowledge and techniques and is a *sine qua non* for scientific advancement.

3.8 Balance between freedom and supervision. Basically, an appropriate balance needs to be struck between freedom and supervision. This is true both in the framing of the rules themselves and their application in practice. As long as the rules are not simplified, it is all the more important to take a more flexible and pragmatic approach to their **implementation.** In applying and interpreting the rules it is vital to give priority to efficient project management and use of funding rather than to avoiding any risk of error. Some degree of latitude is permitted in this regard under the abstractly worded provisions of the participation rules and the financial regulation. These should be used consistently to ensure optimum research support and efficient resource management. The Committee therefore recalls its earlier recommendations, in principle permitting more latitude in decision-making by individual players within the Commission and, linked to that, a greater tolerance of risk of error. *Fear of individuals making mistakes or behaving wrongly should not lead to overregulation and obstructions for everyone. The same principle should apply to the modus operandi of funding bodies and researchers.*

3.9 An approach based on trust. Mistakes or errors detected in settling costs are largely due to the complexity of support criteria and generally speaking have no fraudulent intent. A clearer distinction should therefore be made between mistakes, errors and fraud. The Committee thus recommends that the Council, Parliament and Commission follow an approach based on trust and make this a central aspect of European research support. In this respect, the Committee supports the Commission proposal to increase the tolerable risk of failure⁽⁴⁾ in research.

3.10 Skilled and committed officials. The Commission needs skilled officials to implement the R&D programme, whose specific scientific expertise is recognised by the international scientific community⁽⁵⁾. Their commitment to achieving optimal results and implementing the programme efficiently must not therefore be unduly undermined by an entirely comprehensible concern about making procedural mistakes and the consequences thereof as a result of the bewildering complexity of the system. This also means, however, they must not be held unduly responsible for mistakes that have occurred. For this reason too, procedures need to be streamlined and made more flexible and clear.

⁽⁴⁾ See also COM(2010) 261 final.

⁽⁵⁾ The Committee refers to OJ C 44, 16.2.2008, p. 1, point 1.12 of which states: 'The Committee believes it is essential that funding bodies, especially the Commission, involve staff with proven scientific expertise, who are familiar with the particular features and community of the scientific area in question – and maintain their knowledge over the long term (making regular job rotation counterproductive).'

⁽³⁾ OJ C 44, 16.2.2008, p. 1., points 1.10 and 3.14.1.

3.11 Transparency as an additional supervisory mechanism. The greater latitude that the Committee recommends be given to decision-makers within the Commission, not least in a bid to boost efficiency, inevitably also brings with it the potential for additional errors or preferential treatment. However, as the Committee has always emphasised the need for complete openness and transparency in research funding, the fact that the user community is well-informed and able to react accordingly also means that an additional corrective factor is in place to counter any undesirable developments.

3.12 Importance of continuity and stability. Dealing with such complex systems requires a difficult learning process and proper experience; this applies not only to Commission officials but also to potential awardees, especially SMEs, which cannot afford to set up their own legal departments to deal specifically with these matters. A steady continuity of approach therefore not only enhances legal certainty, but also inherently simplifies continued dealings with the system. All planned changes, even if they serve to streamline the system, must therefore be weighed against the loss of continuity and stability: **the planned streamlining measures must provide a clear added value vis-à-vis the loss of continuity and stability.**

3.13 Simplifying scientific application and evaluation procedures. As well as simplifying legal, administrative and financial rules and procedures (points 3.6 and 3.7) it is equally important to streamline scientific and thematic application, evaluation and monitoring procedures, in order to *simplify overregulation and the deluge of European and national institutional reporting requirements, application procedures, reviews, evaluations, authorisation arrangements, etc. and if necessary condense and reduce them to what is strictly necessary.* The Committee finds it regrettable that this aspect was not mentioned at all in the Commission communication. The Committee therefore recommends once again that the Commission seek, in agreement with the Member States and their representatives, to harmonise and integrate *the plethora of application, monitoring and evaluation procedures, which often overlap with each other, at institutional, national and European level.* This would help avoid wasting the resources of highly-skilled researchers – and ‘human capital’ in general – on unnecessary work. While progress has already been made here as part of the 7th framework programme, most of this task remains unresolved. Potential solutions must ensure that Member States continue to participate as appropriate in the grant decision process within the framework of bodies and committees.

4. Specific comments

4.1 Member States’ accounting procedures. The Committee believes that the Commission’s proposal for a **‘broader acceptance of usual accounting practices’** would indeed result in a significant simplification. That only applies, however, if the genuine aim – endorsed by the European Court of Auditors – is to make it possible to use the arrangements and settlement procedures in place under the national rules governing research funding in each Member State for the R&D framework programmes as well. The Committee is aware that this may lead to certain inequalities of treatment

but these should nevertheless be tolerated for the sake of the desired simplification. The Committee therefore strongly recommends that this Commission proposal be implemented efficiently and unreservedly for all cost categories, with the proviso noted here.

4.1.1 Eligibility of value added tax. Value added tax is considered as part of the costs incurred for some research projects. Under the European financial regulation, value added tax may be deemed eligible under certain conditions. This provision is already being implemented in most European funding programmes. The Committee thus recommends that value added tax should in future be recognised in the R&D framework programme as an eligible cost.

4.2 Limiting the variety of rules. There is a pressing need to limit the variety of rules within the various programmes and instruments (see also point 3.6). However, the objective cannot be to secure a single solution for all awardees since, even if this does help streamline provisions, such an approach cannot possibly reflect the interests of the many different participants in the R&D framework programmes. That is why the existing differentiation between different organisations should, at least, be retained. The Committee therefore does not recommend the introduction of a uniform funding rate for all types of organisations and activities as proposed by the Commission in this regard.

4.3 Allowing ‘trial balloons’. However, limiting the variety of rules and the requirement for continuity and stability in the rules (see also point 3.12) must not result in the system becoming too rigid. New instruments should rather be permitted initially as ‘trial balloons’ before any decision is made to include them in the normal rules.

4.4 Clear definitions and guidance – an instruction manual. A clear and unambiguous definition of the concepts, rules, practices and proceedings is crucial, especially in complex systems, in order to make it clear to stakeholders how they have to proceed. The same is true for the timely availability of reliable guidance and ‘instruction manuals’ drawn up by the Commission. On the one hand, the guidance must provide sufficient leeway in order to properly reflect the different parameters of different awardees. On the other hand, the awardees must be able to trust the guidance given. This recommendation is not inconsistent with the need for greater flexibility, but rather allows that flexibility to be used to the full. However, in this respect, the Committee sees particular problems vis-à-vis the last and positively revolutionary part of the Commission’s proposals (see point 4.8 below).

4.5 Coherent audit strategy. The Commission’s future audit strategy is an important part of the simplification process (see also points 3.9 and 4.1). The Committee thus recommends that the audit strategy be re-defined with a view to increasing the efficiency of the R&D framework programme and simplifying the administrative procedures. At this point, it would also be necessary to clearly set out the conditions under which the application of existing accounting practices applied in the Member States, including any settlement arrangements for average personnel costs, are to be checked.

4.6 More lump sum elements in the current cost-based approach. The Committee basically supports this Commission proposal which can be applied to different cost categories. The Commission also sees it as a means for **improving the participation conditions for SMEs**. However, the Committee's endorsement comes with the proviso that lump sums must cover actual expenditure and must not be used as a pretext for reducing the level of support; this arrangement must also remain optional.

4.6.1 Actual costs as a basis for calculating lump sum amounts. Essentially, the level of financial contributions – i.e. also the lump sums available – must be related to awardees' actual costs. Given the requisite administrative and other outlay involved, it is only worthwhile, – for the most efficient stakeholder organisations – to take part in European research programmes once the R&D framework programme support reaches an appropriate level. And only then can the competitiveness and innovation goals be fully achieved.

4.7 Robust software tools for project management. The use of web-based systems for the whole duration of a project, from submission of applications to completion, offers considerable potential for a radical reduction in administrative outlay both for the Commission and for applicants. In this respect, the Commission's efforts in this direction are warmly welcomed. However, the tools designed by the Commission for applicants to use must operate together flawlessly. However, although the newly developed software tools for the 7th framework programme do facilitate procedures within the Commission, applicants must not be left shouldering the burden. Poorly developed software (e.g. NEF) and incompatible document structures (e.g. between project phases) generate additional and unnecessary work for all applicants. The Committee recommends that due account should be taken of this aspect at every stage of the project and at every level and that even more resources should be invested in the further development of software tools for the future.

4.8 Moving from cost-based to result-based funding. One particularly distinctive new form of simplification and alternative support concept proposed by the Commission for the upcoming 8th research framework programme is a move

towards result-based instead of cost-based funding. Since the primary purpose and concern of any research funding is to obtain new knowledge and achieve results and therefore opt for the best and most efficient means to this end, this concept does, at first sight, seem particularly attractive, as the rules and how they are applied should naturally serve precisely this goal and be subject to it.

4.8.1 For the time being, scepticism. Prior agreement on practical results in a research project would certainly seem problematic: it suggests elements of contract research. This not only throws up difficulties in relation to public procurement and tax law, but also raises issues about the basic understanding of research itself. What is the result of basic research? That is why the Committee remains sceptical about this proposal without any detailed information from the Commission on which to judge objectively what exactly is to be understood by result-based funding and which instruments are to be applied. The Committee's scepticism seems confirmed by the Commission's own cautious position expressed as follows: *Result-based approaches require a careful definition of output/result at the level of each individual project and a thorough analysis in order to fix lump sums (...)*. The Committee therefore recommends that all potential participants engage in a very careful and considered discussion, followed initially by an additional clear communication on result-based research funding, before any further practical steps are taken.

4.8.2 Feasibility study and definitions. For the reasons outlined above, the Committee would welcome a feasibility study (see also point 4.3) on result-based funding in order to objectively assess the practical prospects, risks, problems and any potential for simplification. Perhaps terms such as 'science-based funding'⁽⁶⁾ or 'programme-based research funding' might be more appropriate.

4.8.3 Consideration of the specific requirements of SMEs. Making funding contingent on project results to be achieved sometime in the future could be particularly problematic for SMEs. If the Commission's funding commitment came with a high degree of uncertainty, then essential additional financing, for example, might be difficult to obtain.

Brussels, 15 September 2010.

The President
of the European Economic and Social Committee
Mario SEPI

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