Opinion of the European Economic and Social Committee on the Proposal for a regulation of the European Parliament and of the Council laying down the rules for the participation of undertakings, research centres and universities in actions under the Seventh Framework Programme and for the dissemination of research results (2007-2013)

COM(2005) 705 final — 2005/0277 (COD)

(2006/C 309/08)

On 1 March 2006 the Council decided to consult the European Economic and Social Committee, under Articles 167 and 172(2) of the Treaty establishing the European Community, on the abovementioned proposal.

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 31 May 2006. The rapporteur was Mr Wolf.

At its 428th plenary session, held on 5-6 July 2006 (meeting of 5 July), the European Economic and Social Committee adopted the following opinion by 152 votes to 1, with 3 abstentions:

## 1. Summary

- 1.1 The Commission proposal concerns the conditions, rules and procedures according to which undertakings, universities, research centres and other legal persons receive support from the Seventh R&D Framework Programme.
- 1.2 The Committee welcomes the majority of the proposed regulations and views them as improvements with the potential to bring about a considerable simplification of the administrative procedures. In that connection, the Committee recommends that there also be greater standardisation and more consistent application as regards the Commission's internal implementing rules, which are still pending (in the applicable criteria, for example).
- 1.3 However, since the Commission's internal implementing rules are still pending, some of the specific outcomes of the proposed regulations cannot yet be assessed. In such cases (e.g. reimbursement of additional costs), the Committee recommends retaining the existing rules at least for the time being, so that grant recipients do not lose out.
- 1.4 The Committee welcomes the planned new support ceilings for grant recipients and their respective areas of activity. In particular, it also welcomes the fact that this will lead to improvements in support for SMEs.
- 1.5 The Committee recommends the equal treatment of all research institutes that receive their core funding from the State, irrespective of their legal status.
- 1.6 The Committee recommends that in the future parties to contracts be given greater freedom in the contractual arrangements, but also in the choice of instruments. This concerns in particular access rights to foreground and/or background owned by one of the parties. Royalty-free access rights should be offered here as an option, but not unconditionally as has been proposed for certain cases.

1.7 See chapter four for further details.

## 2. Introduction

- 2.1 In its proposal for the Seventh R&D Framework Programme (2007–2013) (¹), abbreviated as the FP7, the Commission outlined the objectives, content, themes and budget for its support of research, technological development and demonstration activities during this period. The Committee has already adopted opinions on the framework programme (²) and on the preparatory and accompanying proposals in particular for the specific programmes (³).
- 2.2 The Commission proposal discussed here concerns the conditions, rules and procedures which apply to the participation of undertakings, universities, research centres and other legal persons in actions under the Seventh R&D Framework Programme, in the sense of their receiving support from the programme.
- An important point which should be noted here is that the Commission intends to simplify the administrative procedures associated with research funding. This intention was welcomed and endorsed by previous opinions; for its part, the Committee reiterates its previous recommendation that administrative procedures should be made simpler and less burdensome, thus enhancing the effectiveness of the European research programme: 'as they stand, the application and approval procedures involve too much work and are too expensive, causing difficulties for scientific and industrial users. The European research programme must be a worthwhile venture for those taking part in it, including in terms of the risk involved in making the application. This also applies in particular to smaller players, such as SMEs or smaller research groups from universities and research centres' (4). According to the Commission's statements, the proposed rules for participation are intended to bring about such simplification.

<sup>(1)</sup> COM(2005) 119 final.

<sup>(2)</sup> COM(2005) 439, 440, 441, 442, 443, 444, 445 final.

<sup>(3)</sup> OJ C 65, 17.3.2006 and CESE 583/2006.

<sup>(4)</sup> OJ C 65, 17.3.2006.

- 2.4 The Commission proposal thus explains the applicable rules aimed at ensuring that Community funding for research and development under FP7 is as effective, efficient and fair as possible.
- 2.5 The proposed rules for the participation of undertakings, research centres and universities should therefore 'provide a coherent and transparent framework to ensure efficient implementation and ease of access for all participants in the Seventh Framework Programme'. They are intended to promote a wide range of undertakings, research centres and universities and enable participation from the outermost regions of the Community.

## 3. Gist of the Commission document

- 3.1 The Rules for Participation for the Seventh Framework Programme proposed by the Commission are intended to implement many aspects of that simplification and to build upon principles established in the Sixth Framework Programme (FP6). A few important points are briefly summarised in this chapter.
- 3.2 The Commission's proposal covers the following aspects: introductory provisions, conditions for participation in indirect actions and the relevant procedures, the Community financial contribution, rules for dissemination and use of findings, access rights to and protection of background and foreground, and the role of the European Investment Bank.
- 3.3 Conditions for participation in indirect actions
- 3.3.1 At least three legal entities must participate in indirect actions, each of which is established in a Member State or associated country, and no two of which are established in the same Member State or associated country.
- 3.3.2 For coordination and support actions, and actions in favour of training and career development of researchers, the minimum condition is the participation of one legal entity.
- 3.3.3 For indirect actions to support investigator-driven 'frontier' research projects funded in the framework of the European Research Council, the minimum condition is the participation of one legal entity established in a Member State or in an associated country.
- 3.4 Community financial contribution
- 3.4.1 For research and technological development activities, the Community financial contribution may reach a maximum of 50 % of the total eligible costs.
- 3.4.1.1 However, in the case of public bodies, secondary and higher education establishments, research organisations (5) and SMEs, it may reach a maximum of 75 % of the total eligible costs.
- 3.4.2 For demonstration activities, the Community financial contribution may reach a maximum of  $50\,\%$  of the total eligible costs.
- (5) The term 'research organisation' is defined in Article 2.3 of the Commission proposal; the terms 'research institute' and 'research centre' are also used elsewhere in the proposal as synonyms.

- 3.4.3 For activities supported by frontier research actions, coordination and support actions, and actions for the training and career development of researchers, the Community financial contribution may reach a maximum of 100 % of the total eligible costs.
- 3.4.4 For management and audit certificates, and other activities not covered by paragraphs 1, 2 and 3 of Article 33, the Community financial contribution may reach a maximum of 100 % of the total eligible costs.
- 3.4.5 For Networks of Excellence, a special lump sum is proposed. The amount of the lump sum is established by the rules for participation as a fixed amount calculated according to the number of researchers to be integrated in the Network of Excellence and the duration of the action.
- 3.5 Other rules
- The Rules identify the procedures for issuing calls for proposals, for submission, evaluation, selection, award and support for proposals.
- The evaluation process developed for previous framework programmes is continued without major changes. A model grant agreement will be established by the Commission that will establish the rights and obligations of participants visà-vis the Community and each other.
- Three forms of grants are proposed: reimbursement of eligible costs, lump sums, and flat-rate financing. For frontier research actions, the European Research Council's Scientific Council will propose appropriate funding arrangements.
- 3.6 There should be as much continuity as possible in the rules for dissemination and use and access rights (ownership, protection, publication, dissemination and use, and access rights to background and foreground). The changes should allow participants more flexibility as their projects progress. The option of excluding background and of defining terms and conditions other than those established by the Rules remains. The coherence of dissemination and publication requirements has been improved.
- 3.7 As in the Sixth Framework Programme (FP6), participants in a consortium will have the responsibility to fully carry out the tasks entrusted to them even if one of the participants fails to comply with assigned tasks. However, the principle of financial collective responsibility established in FP6 for most actions is not continued. Depending on an assessment of the risks inherent in European research funding to the Community budget, a mechanism may be introduced to cover the **financial risk** of a participant's failure to reimburse any amount due to the Community. Therefore, bank guarantees are only to be requested in the rare case in which pre-financing represents over 80 % of the grant.

## 4. The Committee's comments

- **Simplification.** The Committee supports the extremely important objective of simplifying all of the procedures that the Commission had been using until now or that the Commission has requested of R&D actors. The Committee sees its comments as a constructive contribution to their achievement and is aware that achieving this objective is not straightforward, given the general budgetary rules and the call for transparency — a call which the Committee itself subscribes to. It would be particularly useful to try out administrative procedures which have been simplified even further, within the limits of what is legally possible, on selected pilot projects; the resulting experiences could help in reaching decisions on future measures.
- **Improvements**. The Committee recognises that the Commission has made efforts to achieve this aim and to ensure that the Community provides the best possible support for research. In that connection, it regards many points in these proposals as clear improvements to the existing procedures, for example with regard to reimbursement of costs (Articles 30 and 31), to forms of grant, as well as to grant agreements, contracts and appointment letters (Articles 18 and 19); however, in the latter case the new rules will only represent an improvement if payment and above all reporting arrangements are also simplified. In that connection, the Committee would also refer to its earlier recommendations on simplification (6), which, among other things, concern the harmonisation of the procedures requested by the Commission with those of other funding or supervisory bodies in terms of content and timetable (7).
- **Standardisation.** Efforts to standardise the procedures followed or requested by the Commission — e.g. costing or credit rating — more closely also serve to meet the objective of simplification. In the interests of the Single Market and also of greater legal certainty, the Committee fully concurs with this (8). Unfortunately, full standardisation will not be achieved unless the various recipients of grants, such as universities, in the different Member States for their part apply standardised or aligned accounting systems.
- 4.2 Other rules and measures. To achieve simplification and standardisation, the Commission will need to adopt further measures, which are as yet only outlined in the proposal, for example in Article 16.4: The Commission shall adopt and publish rules to ensure consistent verification of the existence and legal status of participants in indirect actions as well as their financial capacity'. Since these other rules, referred to henceforth as 'the Commission's internal implementing rules', are still pending, in certain cases it is still too early to assess what the impact of the corresponding proposals of the Commission will
- (°) OJ C 110, 30.4.2004. OJ C 157, 28.6.2005.

  - OJ C 65, 17.3.2006.
- (\*) OJ C 157, 28.6.2005: Preventing overlap and parallelism of administration and governing bodies.
- Going beyond what is envisaged by the Commission's proposal, it would even be desirable to standardise payment procedures for all Community support measures — including the CIP programme and Structural Funds — more closely.

- 4.2.1 **Consistent interpretation and criteria**. Furthermore, the Committee expects consistent interpretation of the Commission's internal implementing rules, especially those concerning the legal and financial aspects of projects, in all relevant Commission departments, enabling further progress towards simplification and standardisation and ensuring that the respective R&D actors do not lose out by comparison with existing arrangements. In general, the Committee recommends additional clarification in the Commission's internal implementing provisions to close any remaining loopholes in the Commission's proposal, in the interests of legal certainty.
- Support measures. However, the helpdesks and 'clearing houses' proposed or already provided by the Commission should ensure that the messages given out by the Commission are consistent and uniform. The Committee sees this as a important and useful measure. However, it should also be ensured that a consistent approach is followed in internal Commission procedures and in the requirements and decisions of project officers.
- Reporting requirements. For example, it is also important to avoid situations, apart from in well justified exceptional cases, in which project officers request mid-term reports over and above what is required by the rules, and in which several versions of identical information have to be included in various reports (9). It is also important to standardise reporting requirements, not only in terms of formal requirements but also in terms of content.
- **Mid-term assessment**. In view of the fact that the 7th Framework Programme will run for seven years, the Committee also recommends that a mid-term assessment of both the programme and the rules for participation be carried out halfway through this period in order to make any necessary adjustments.
- Project officers. Another important requirement for 4.2.5 simplification, standardisation and for effective administrative procedures in general, which also serves to maintain the necessary continuity (see next point), is for project officers to have detailed specialist knowledge of the subject in question and to know the persons concerned; project officers cannot confine themselves to a purely administrative role unless they have indepth subject and background knowledge. The Committee would refer to its recommendations (10) on this point (11), which it has reiterated on several occasions.
- **Continuity**. Given that any change in the rules means a break in continuity and additional friction, it is important to carefully consider whether the Commission's proposed changes would actually translate into significantly enhanced efficiency so as to outweigh such disruption, or whether it would be better to retain the existing rules. The Committee acknowledges

<sup>(9)</sup> See also the previous two footnotes.

<sup>(10)</sup> e.g. point 9.8.4 in C 204 of 18.7.2000.

<sup>(11)</sup> See footnote 6.

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that the Commission's proposal envisages retaining many rules which have proved effective. However, in the case of some proposed changes it is not clear whether they would actually represent an improvement on existing rules. In such cases the Committee recommends that continuity should be the primary consideration.

allowed to result in an unwelcome inflation rather than reduction in management costs.

- 4.4 Community financial contribution reimbursement and forms of support. Subject to a satisfactory resolution of the questions which are still open (e.g. in point 4.5), the Committee sees the relevant Commission proposals as a substantial improvement and supports them.
- 4.4.1 **SMEs**. In particular, the Committee welcomes (Article 33-1, second sentence) the increase in support ceilings, e.g. (<sup>12</sup>) for **SMEs** from 50 % to 75 %. It sees this partly as a reflection of its earlier recommendation to offer more and better incentives for greater SME participation in the Seventh R&D Framework Programme and also to promote closer networking of SMEs and research institutes (<sup>13</sup>).
- 4.4.2 **Higher education establishments etc.** The Committee also welcomes the fact that support ceilings will rise to 75 % in public bodies, secondary and higher education establishments and research organisations as well (also Article 33-1, second sentence). In that connection, it recommends that Article 33 be worded more clearly so that it is possible to distinguish more easily between profit and non-profit making parties.
- 4.4.3 **Average rates for personnel costs**. The Committee believes that giving participants the option of applying average rates for personnel costs could help to achieve simplification (Article 31-3 (a)).
- 4.4.4 **Management costs.** In the interests of maintaining the necessary continuity, the Committee also welcomes the fact that 100 % reimbursement of **management costs** will continue. However, the proposal to unconditionally do away with the previous ceiling of 7 % for this type of expenditure could cause problems, unless stringent standards are applied to the necessary management costs in some other way. Admittedly, the previous 7 % ceiling was found to be too low, given that administration, coordination, etc. required a great deal of expenditure, and it should therefore be raised. However, unlimited reimbursement of all administrative costs should not be

Additional costs for universities. Under the Commission proposal, universities and similar research institutions should no longer be able to have 100 % of their so-called additional costs (14) reimbursed. Although other accounting models are proposed, the Committee feels that the proposal could cause problems, given that such institutions do not usually have suitable analytical accounting procedures to calculate full costs (15). What is more, it is too early to tell if the possible alternative of a flat rate proposed by the Commission will make them significantly worse off, as the Commission's internal implementing rules for this proposal are still pending (see above). Therefore, if full cost accounting is not available to these institutions, the Committee recommends retaining the existing rule on 100 % reimbursement of additional costs, at least until it is certain that other accounting models (16) will not result in these institutions losing out by comparison with existing arrangements.

4.6 **Legal status of research organisations.** The Committee feels that research organisations which are mainly State-funded should receive equal treatment in all respects (and in all articles of the regulation, for example Article 33-1 and Article 38-2), irrespective of their legal status. This means for example that non-profit making research organisations or research centres established under private law which receive their core funding from the State (17) should also be placed on an equal footing with public-law organisations. Ultimately, the choice of most appropriate legal status for such research institutes lies within

(14) Additional cost model: calculation of reimbursable direct additional costs of parties to the contract, plus a flat rate for indirect costs,

costs of parties to the contract according to the full cost model; full cost flat-rate model: calculation of reimbursable direct costs of parties to the contract; plus a flat rate for indirect costs, according to the full cost flat-rate model. The flat rate amounts to 20 % of all direct costs, minus costs for *subcontracts*. In all three cost models in RP6 (FC, FCF and AC), total costs are calculated simply as the sum of direct and indirect costs.

(16) In any case, as far as R&D activities are concerned, the possible flat rate to cover indirect costs (overhead) in Article 32 should be at least 20 % of reimbursable direct costs, minus *subcontracts*. This rule applied to the Sixth R&D Framework Programme for full cost flatrate and additional cost accounting systems and should be retained for the sake of continuity and above all to be fair to the different accounting systems of participating organisations.

(17) In Germany, research organisations such as the Helmholtz-Gemeinschaft, the Fraunhofer-Gesellschaft, the Leibniz-Gemeinschaft or the Max-Planck-Gesellschaft. In the Netherlands e.g. The Netherlands Organisation for Scientific Research — Nederlandse Organisatie voor Wetenschappelijk Onderzoek (NWO).

according to the additional cost model. In the Seventh R&D Framework Programme (RP6), this flat rate corresponds to 20 % of all direct additional costs, minus costs for subcontracts.

(5) Full cost model: calculation of reimbursable direct and indirect costs of parties to the contract according to the full cost model; full cost flat-rate model: calculation of reimbursable direct costs of parties to the contract; plus a flat rate for indirect costs, according to

<sup>(12)</sup> And also for public bodies, secondary and higher education establishments and research organisations.

<sup>(13)</sup> In this connection, the Committee would refer to its recommendation on the introduction of a grace period for patents; however, it would not be necessary to associate a right of priority with the scientific publication. See CESE 319/2004, points 2.5 ff., OJ C 110, 30.4.2004.

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the legislative competence of the Member States, and should certainly not result in any differentiation of Community research funding.

- 4.7 **Intellectual property.** The rules proposed in Articles 39-43 are intended to ensure that rights to intellectual property derived from findings financed by EU taxpayers' money cannot be transferred to companies outside Europe without being subject to any controls.
- 4.7.1 **Open source software.** In general, the only chance that software developed within the framework of Community funded research projects currently has of becoming widely available and widely used and of therefore producing spin-off commercial versions or services, is if it is offered as 'open source'. For this purpose, the consortium should be granted as much freedom as possible as regards license conditions.
- Access rights. Access rights (Articles 48-52) (18) to foreground and/or background owned by the parties do not concern all foreground and background owned by one of the parties (e.g. a university or research centre), but only to foreground and background derived from the work or preparatory activity of organisational entities or groups involved in the relevant joint project and which are needed by the other participants in the indirect action to complete their work. The Committee therefore welcomes Article 48 which enables this issue to be clarified separately for each project through the drawing up of positive and/or negative lists (19) agreed by all parties to the contract. Furthermore, positive lists can also be used to prevent any disclosure of the existence of background which is to be kept confidential. However, in order not to slow down the start of the project unnecessarily, it would make sense to set a deadline of e.g. up to six months after the beginning of the project for these lists to be drawn up.
- 4.9 **Royalty-free access to foreground and background**. The Committee has reservations about regulations that will grant <u>unconditional</u> access to foreground and background on a royalty-free basis. In general, it recommends that project partners be granted as much freedom as possible so that they are

able to reach the most appropriate agreement. It may make sense, for example, to also grant R&D actors royalty-free access rights.

4.9.1 **Background for the implementation of a measure**. The proposal to always grant R&D actors royalty-free access rights to background, as long as it is essential for the <u>implementation</u> of an indirect measure, is to be welcomed in principle. In certain cases, however, an exclusive regulation of this type can cause difficulties for the relevant actors. The Committee therefore recommends modifying the final sentence of Article 50-2 (<sup>20</sup>).

4.9.2 **Background for the use of foreground**. However, the proposal to always grant R&D actors access rights to background royalty-free, as long as it is essential for the <u>use</u> of foreground, could cause problems. Background was acquired using R&D actors' own resources, the resources of former funding bodies or with the public resources of the respective Member States, and is subject to relevant obligations and conditions (<sup>21</sup>). Should the proposed Commission regulation be applied, there is a risk that especially powerful R&D actors, and those actors with a high level of know-how potential would not be able or even willing to participate, and therefore would be excluded from participating. The Committee therefore recommends deleting or modifying Article 51-5 (<sup>22</sup>).

4.9.3 **'Frontier' research.** Although most of the research and development activity envisaged as part of 'frontier' research is in the field of basic research, the distinction between basic and applied research is often (<sup>23</sup>) blurred, as the Committee has pointed out on several occasions. Therefore the same negative outcomes mentioned above are to be expected here. This should be avoided at all costs and thus taken into account in the regulations. The Committee therefore recommends deleting Article 52-1 or modifying it accordingly (<sup>24</sup>).

<sup>(18)</sup> The Committee would like to point out that, when compared with the English version, it is apparent that there are translation errors in Articles 50-1 and 51-1 of the German version of the Commission proposal. This Committee opinion refers to the correct English version.

<sup>(19)</sup> Positive list: list of knowledge or areas of knowledge to be made accessible. Negative list: list of knowledge or areas of knowledge NOT to be made accessible.

<sup>(20)</sup> A possible suggestion for the final sentence of Article 50-2 would be 'However, RTD Performers shall grant access rights to background on a royalty-free basis, unless for justified exceptions otherwise agreed by all participants before their accession to the grant agreement'.

<sup>(21)</sup> In Germany, for example, the Employees' Inventions Act as well.
(22) A possible suggestion would be 'RTD-Performers shall grant access rights to background needed to use the foreground generated in the indirect action on a royalty-free basis unless otherwise agreed by all participants before their accession to the grant agreement'.

<sup>(23)</sup> e.g. in microbiology, laser technology and ICT.

<sup>(24)</sup> Article 52-1 could read as follows, In the case of frontier research actions, access rights to foreground for the implementation of the project shall be granted royalty-free. Access rights to foreground for use shall be under fair and reasonable conditions or royalty-free as agreed by all participants before their accession to the grant agreement'.

- 4.9.4 **Specific Groups.** There is no definition in the Commission proposal of the work for Specific Groups. It should certainly not be confused with the definition for 'frontier' research, or even considered to be the same.
- 4.10 **Free choice of instruments**. The Committee reiterates its recommendation (25) that projects should **not be tied in advance to particular instruments**, but that 'applicants must be able to adjust the structure and size of projects to best suit the task at hand. Otherwise, projects will be established whose size and structure are determined by the prescribed policy tools rather than by optimum scientific and technical requirements. The tools must serve R&D working methods and objectives never the reverse.' To this end, the option of Specific Targeted Research Projects (STREPs) should be continued, as they are a particularly suitable instrument for supporting participation by SMEs and smaller research groups.
- 4.11 **Discontinuation of the principle of financial collective responsibility**. The Committee is pleased that the principle of financial collective responsibility is to be discontinued; it would point out that it has already referred to the problems arising from this in its recommendations on the sixth framework programme (<sup>26</sup>).
- 4.11.1 **Risk fund**. The Committee therefore supports the proposal to establish a **risk fund** to cover possible defaults, with a small percentage of the financial contribution to indirect actions being paid into the fund (Article 38(1)). However, it would be advisable for the Commission to specify the proposed range of percentages when publishing the proposal, depending on the estimated level of risk. The Committee is also pleased that possible surpluses from amounts set aside to cover risks will be reimbursed to the framework programme and constitute earmarked revenue.
- 4.11.2 **Exemption**. However, the Committee would recommend that Article 38(2) exempt all research institutes which receive their core funding from the State, irrespective of their legal status, from this requirement (<sup>27</sup>).

Brussels, 5 July 2006.

- 4.11.3 **Project abandonment**. The Committee would also refer to the proposed **technical collective responsibility** of project participants (see Article 18(4)). In the Committee's opinion, even a consortium should have the option of deciding to abandon a project if excessive expenditure or scientific or technical considerations mean that continuation ceases to be worthwhile or reasonable. Articles 18(4) and 18(5) should be amended accordingly.
- 4.12 **Programme committees**. Under the Commission's proposal, **programme committees** responsible for streamlining procedures will no longer have the task of approving funding for proposed projects. In the Committee's view, this should only happen if the Commission selects projects on the basis of assessors' evaluations. Otherwise, work programmes and budget allocation should remain subject to approval by the relevant programme committee. (A possible compromise would be to submit a 'call implementation plan' after completion of evaluation to the programme committee for it to discuss and formally adopt.) This would not slow the process down in any way as the programme committee would no longer be taking decisions on individual projects.
- 4.13 **Grant agreement.** The relevant Article here (19-8) makes reference to the <u>Charter for Researchers and the Code of Conduct for the Recruitment of Researchers.</u> The Committee would like to point out that this Charter is only a recommendation and is therefore not binding. Furthermore, the Committee notes that it actually welcomes many elements of the Charter but that it has also recommended that it be revised, in particular because it contains too many regulations and certain criteria are not clear (28).
- 4.14 **European Investment Bank**. The Committee welcomes the proposal for a grant for the European Investment Bank to cover risks arising from loans in support of the research objectives of the Seventh R&D Research Framework Programme, and the proposed accompanying rules. Such loans should be provided for demonstration projects (e.g. in the fields of energy or security research) in particular.

The President
of the European Economic and Social Committee
Anne-Marie SIGMUND

<sup>(25)</sup> Point 3.4, OJ C 157, 28.6.2005.

<sup>(26)</sup> OJ C 94, 18.4.2002.

<sup>(27)</sup> See above, equal treatment of all research institutes which receive their core funding from the State.