

**ASSEMBLY OF THE PORTUGUESE REPUBLIC  
EUROPEAN AFFAIRS COMMITTEE**

**Opinion**

**COM (2010) 187 Final**

**Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on simplifying the implementation of the research framework programmes**

**I. Introduction**

- 1) The European Affairs Committee, pursuant to Portuguese Law No 43/2006 of 25 August 2006 on monitoring, evaluation and contribution of opinions by the Assembly of the Republic, in the context of the construction of the European Union, has forwarded the Communication on simplifying the implementation of the research framework programmes (Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions) to the Committee for Education and Science, so that the latter can issue an opinion regarding the content of that Communication.

**II. Analysis**

- 1) The report in question relates to a Communication falling within the remit of the European Commission and resulting from the endorsement by the Spring European Council of the Commission initiative ‘Europe 2020: A strategy for smart, sustainable and inclusive growth’.
- 2) This report states that research and innovation are at the core of the Europe 2020 initiative. As part of the European plan for research and innovation, the ‘Innovation Union’ flagship aims to establish priorities and guidelines for improving general conditions for research in Europe and its capacity for creativity and innovation.
- 3) The report also states that the Commission feels that initiatives taken at European level should be highly attractive and accessible to the best researchers worldwide, to Europe’s industry and entrepreneurs, to universities and other research and innovation actors. It also believes that regional, national and European public funding initiatives in research and innovation should be as effective as possible, in order to promote the highest quality research.
- 4) Communication (2010) 187 also takes stock of the situation regarding Europe’s current major public funding initiative for research and technological development, the Seventh Framework Programme (FP7), specifically in the area of simplification and sets out further concrete simplification measures for immediate implementation under the current legal framework, which may be translated into specific measures, either in the context of the current framework or in the form of new legislative proposals.

### **III. Opinion of the Rapporteur**

We recommend that the Commission seriously examine the possibility of:

- ✓ prioritising high-quality research, given that innovation requires the existence of high quality research and all projects must be assessed on the basis of the excellence of the (research) results obtained;
- ✓ adopting a strategy for medium-sized projects, which will allow research groups to compete without requiring the involvement of consultancies;
- ✓ adopting a strategy for research projects financed on a ‘lump-sum’ basis, i.e. financing a project on the basis of proposed results which will be credible and on the basis of merit and ‘purchasing’ these results purely on the basis of the results;
- ✓ authorising overheads (for projects financed on the basis of marginal activity costs) using simple rules;
- ✓ avoiding the financing of ‘innovative’ projects using competing companies not having objectively the conditions for conducting the proposed collaborative projects.

### **IV. Conclusion**

- 1) The present initiative does not jeopardise the principle of subsidiarity, in so far as the objective to be met will be more effectively achieved by means of Community action.
- 2) The issues raised do not fall within the legislative remit of the Assembly of the Portuguese Republic, and Article 2 of Law No 43/2006 of 25 August 2006 does not therefore apply.

### **Opinion**

The European Affairs Committee is of the opinion that the scrutiny process has been completed with regard to the initiative under discussion.

Palácio de S. Bento, 12 July 2010

Rapporteur  
*[signed]*  
(José Ferreira Gomes)

Committee Chairman  
*[signed]*  
Vitalino Canas

**ASSEMBLY OF THE PORTUGUESE REPUBLIC**  
**Committee for Education and Science**

**Report and Opinion**

**Communication**

Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on simplifying the implementation of the research framework programmes

**COM (2010) 187 Final**

**1) Procedure**

The European Affairs Committee, pursuant to Portuguese Law No 43/2006 of 25 August 2006 on monitoring, evaluation and contribution of opinions by the Assembly of the Republic, in the context of the construction of the European Union, has forwarded the Communication on simplifying the implementation of the research framework programmes (Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions) to the Committee for Education and Science, so that the latter can issue an opinion regarding the content of that Communication.

**2) The Communication**

This Communication, falling within the remit of the European Commission, is the result of the endorsement by the Spring European Council of the Commission initiative 'Europe 2020: A strategy for smart, sustainable and inclusive growth'.

Research and innovation are at the core of this initiative. As part of the European plan for research and innovation, the 'Innovation Union' flagship aims to establish priorities and guidelines for improving general conditions for research in Europe and its capacity for creativity and innovation.

The Commission feels that the initiatives taken at European level should be highly attractive and accessible to the best researchers worldwide, to Europe's industry and entrepreneurs, to universities and other research and innovation actors. It also believes that regional, national and European public funding initiatives in research and innovation should be as effective as possible, in order to promote the highest quality research.

The Commission states that prerequisites for attractiveness and accessibility of initiatives include clarity of objectives and instruments, overall participant orientation of initiatives and their implementation, consistency and stability of rules and conditions, simplicity and speed of administrative procedures and processes, ranging from application, reporting and auditing.

Communication (2010) 187 takes stock of the situation regarding Europe's current major public funding initiative for research and technological development, the Seventh Framework Programme (FP7), specifically in the area of simplification and sets out further concrete simplification measures for immediate implementation under the current legal framework,

which may be translated into specific measures, either in the context of the current framework or in the form of new legislative proposals.

From the Commission's point of view, simplification is also a major objective of the forthcoming Commission proposal on the triennial review of the Financial Regulation. The Commission wishes to use this opportunity to review budget delivery mechanisms and establish financial rules for the next financial framework, since simplification is one of the key elements for preparing the future Framework Programmes for Research and Technological Development (FP8).

The Commission states that, compared to previous programmes, FP7 has brought about a number of measures widely acknowledged as having a simplifying factor, which are the result of the legal basis of that framework programme or the Commission's continued efforts to improve the application of rules and processes, highlighting the following achievements of FP7.

- Considerable reduction in *ex-ante* controls and protective measures for financially weak participants designed to ease the participation of SMEs and high-tech start-ups. 80% of FP7 participants are exempt from *ex-ante* financial capacity checks.
- Major reduction in the number of certificates relating to financial statements to be provided with periodic cost claims. 75% of FP7 participants are exempt from providing such certificates.
- Introduction of a unique registration facility, thus avoiding repeated requests for the same information.
- Introduction of the possibility of *ex-ante* certification of the accounting methodology for recurring participants (currently under restrictive conditions).
- Streamlining of project reporting requirements.
- Progress towards optimised IT tools ('e-FP7') as a means of rationalising all interactions.
- Improvements to the services and guidance documents for applicants.

Despite the concrete measures referred to, which have made it possible to reduce the timescales involved in approval and the administrative work required for project management, stakeholder feedback indicates that access to the programmes and preparation of proposals are still too difficult, in particular for newcomers, and that the administrative burden for project administration and accounting is perceived as too high and that time-to-grant and time-to-pay periods are still too long.

Communication COM(2010) 187 final presents measures and options for simplifying EU research funding, and in order to ensure that EU research funding promotes the highest quality research.

The possibilities for further simplification as presented below are structured in three main strands: the first consists of improvements and simplifications that the Commission will

implement under the current legal and regulatory framework (short term), the second one with changes to the rules but still under the current cost-based model, and the third one suggesting more far-reaching changes towards a result-based funding using lump sums.

Given that FP7 is one of the biggest public research grant programmes in the world with an annual budget that increases year-on-year, reaching €10 billion in 2013, with funds allocated on the basis of research excellence, involving the receipt of up to 30 000 proposals, the conclusion of 6 000 grants with about 36 000 participants and the issuing of 10 000 payments each year, all the while achieved whilst ensuring proper accountability, the Commission has established and is constantly improving a complex business process that needs properly adapted resources, management structures and skills.

**Strand 1 ('Streamlining proposal and grant management under the existing rules')** defends 'User support, guidance, transparency, IT tools and processes', 'Uniform application of rules', 'Optimising the structure and timing of calls for proposals', 'Adapting sizes of consortia' and 'More extended use of prizes'. It is important to point out, with regard to this strand, that the Commission will initiate a pilot action under FP7.

With regard to **Strand 2 ('Adapting the rules under the current cost-based system')**, 'Broader acceptance of usual accounting practices' is advocated, and the need for greater clarity regarding the concept of eligible actual costs in the rules for the participation. This second strand also raises the question of 'Average personnel costs', in respect of which restrictions occur due to the significant removal of actual costs compared to the average personnel costs considered to be eligible. The Commission considers that any average personnel cost methodologies applied as usual accounting practice by the beneficiary could be accepted, as long as they are based on actual personnel costs registered in the accounts and any double funding of costs under other cost categories is excluded.

In addition to the simplifications which the Commission wishes to introduce, we can highlight that relating to 'Limiting the variety of rules', advocating the return to a common set of basic principles instead of a tailor-made approach, provided that strategic objectives can still be met. With regard to 'Interest on pre-financing', the Commission believes that there is potential for simplification in the treatment of interest gained from pre-financing payments, given that interest-bearing accounts cannot be opened by some organisations and that this constitutes a restriction for granting support.

The concept of 'More lump-sum elements in the current cost-based approach' is also advocated, specifically in order to improve the conditions of participation for SMEs, in which owner-managers carry out a major part of the project themselves without a salary registered in the accounts.

The final proposal for simplification presented in the second strand refers to 'accelerating project selection', advocating the concept, amongst others, of discontinuing opinions on the majority of selection decisions for individual projects by committees of representatives from the Member States, on the basis that the global information flow system for these committees renders this step unnecessary. The Commission believes that this would lead to a reduction of time-to-grant by several weeks and to a removal of administrative burden both for Member State and Commission services.

**Strand 3 ('Moving towards result-based instead of cost-based funding')** advocates more profound changes, in order to reduce the administrative burden relating to cost declarations

and financial audit. The Commission sets out the possibility of abandoning the current system, based on a cost-based system focused on input, in favour of a system of funding based on prior definition and acceptance of output/results.

It also suggests examining three different options, even though all of them provide for a lump sum per project as a whole leading to the removal of all checks on actual costs incurred and a shift of the control efforts from the financial to the scientific side. Lump sums would be fixed amounts covering the overall costs of implementation of an operation, removing the obligation for beneficiaries to present supporting documents related to expenditure, and allowing also major simplifications in the financial audit of projects.

In order to develop these options, greater scientific/technical assessment would be needed, with the involvement of external experts, as the basis for payment decisions; the application of this would require a new balancing of competencies, changes to the approach for project management within the Commission and greater co-operation with external experts.

The three options suggested for exploring result-based approaches are:

**1) Project-specific lump sums as a contribution to project costs estimated during grant evaluation/negotiation, and paid against agreed output/results:**

In this approach, an ex-ante estimation of adequate total eligible costs of the project and the definition of measurable output/results would form 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 (fully or partially) on the basis of the acceptance of the agreed output/result. This may include interim payments.

**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:**

In this case, the evaluation of proposals would include 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.

**3) A high-trust 'award' approach consisting of distributing pre-defined lump sums per project without further control by the Commission:**

The selection of awardees would be based on a highly competitive process. After selection, funding would be given as a lump sum without further financial or scientific checking by the Commission. This is a high-trust high-risk approach. However, the absence of control by the Commission would not mean complete absence of control. The approach would rely on self-control and the motivation and incentive structure inherent in the scientific community. To make this motivation and incentive structure work, the awardees should be obliged to ensure maximum transparency on the use of the funds and the results achieved towards their peers and to the general public. The risk of abuse would continue to be present, but misbehaviour would

severely jeopardise the career of the awardee as a scientist. This scenario would be most appropriate in areas where the above-mentioned incentive mechanisms are strongest, i.e. in particular the European Research Council. The advantages of the approach are obvious: no need for cost checking, minimised administrative effort, high speed.

The Commission undertakes to present shortly a proposal on the triennial review of the Financial Regulation, transforming some of the simplification ideas put forward in this Communication into legal proposals.

Further potential for simplification might be revealed by the FP7 interim evaluation due to be presented in October 2010.

Further simplification will only be possible if there is total commitment and political support from the other EU institutions, particularly the Council and the European Parliament, since difficult compromises will be required in order to achieve greater equilibrium between trust and control and between the taking of risks and prevention of risks, all the while ensuring sound financial management.

The Commission also states that the debate on the implementation of a research-specific Tolerable Risk of Error (TER) opens the way in this regard and under all circumstances the Commission in its role of steward of EU taxpayers' money will maintain proper conditions to ensure sound financial management, including appropriate fraud prevention measures, based on a thorough risk analysis and strategy taking into account each strand.

### **3) Conclusions**

- 1) The 7th Framework-Programme contains a wide range of objectives, a multitude of intervention mechanisms with specific rules, diverse reimbursement rates and special conditions for certain types of organisations. Collectively, this diversified approach leads to a complex situation.
- 2) The definition of a common set of basic principles rather than the current diversified approach, would undoubtedly lead to a considerable trimming and lightening of rules, processes and IT systems.
- 3) A reduction of the complexity characterising the EU research funding landscape could also be a major source of simplification.
- 4) Future framework programmes should give particular attention to the suitability and pertinence of intervention mechanisms in order to achieve the objectives established; attention should also be paid to the need for the applicable financing rules (or parts thereof) to be identical.
- 5) A large part of the options proposed by the Commission under the second and third strands require changes to the rules and will therefore be addressed in the triennial review of the Financial Regulation and, on that basis, in the forthcoming review of the regulatory framework of research policy.

- 6) However, it would be sensible to for there to be consensus with regard to specific measures, particularly those relating to the rules applicable to average personnel costs, in order to ensure that the Commission can submit amendments to the FP7 after the interim evaluation.

### **Opinion**

In view of the above, and given that we have no further comments to make, the committee for education and science proposes that this report be submitted to the European affairs committee, in accordance with Article 7(3) of Law No 43/2006, of 25 August 2006.

Assembly of the Portuguese Republic, 7 July 2010

Rapporteur  
*[signed]*  
(José Ferreira Gomes)

Committee Chairman  
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Vitalino Canas