

EARMA Position Paper on Simplification Measures in the Framework Research Programmes



Introduction

This paper sets out the European Association of Research Managers and Administrators (EARMA). EARMA's position with regard to issues surrounding proposed simplification measures and in particular proposals laid out in the communication of the European Commission (EC) COM (2010) 187 "*Simplifying the Implementation of the research Framework Program*". Moreover, response to the relevant parts of the EC communication COM (2010) 261 "*More or less controls? Striking the right balance between the administrative costs of control and the risk of error*" is provided.

Basic principles of FP simplification

- 1 *Stability and continuity of rules and principles*
- 2 *Uniform and transparent interpretation and application of rules*
- 3 *Greatest possible harmonisation of financial rules across different FP instruments*
- 4 *Tolerable risk at least 3.5%*
- 5 *Deep and duly assessment of the result-based system and possible application within the EU research programs*

EARMA represents the community of Research Managers and Administrators within Europe. It currently represents more than 357 institutions from 29 different countries. Its members are building the European Research Area (ERA) by managing European research programs at the level of individual universities and research institutions. EARMA members are actively involved in the development of future programs such as FP8, EIT etc. Because of their involvement with the smooth management of these programs, the issue of administrative and financial simplification are of immediate and continuous importance to our members.

EARMA is aware of and appreciates the simplification that has already taken place during the course of FP7 and warmly welcomes EC proposals concerning the further reduction of the administrative burden for FP beneficiaries of as expressed in the Commission's communications COM (2010) 261 and COM (2010) 187. In the context of the EU2020 agenda, EARMA emphasizes the continued need for further simplification in the administrative requirements for European Research Programs. With this paper EARMA offers its help and expertise to work with the Commission and other European and national stakeholders for an efficient and effective implementation of future research and innovation programs.

Executive Summary

About EARMA

EARMA represents the community of Research Managers and Administrators within Europe. Within our members we can count some of the most established universities, research organizations and Industry R&D departments in Europe.

Our members work at the forefront of building the European Research Area. We contribute to policy consultations; form the interface between research funding organizations and the scientific community, bridging cultural and legal differences between countries, and between academia and industry in order to turn knowledge outputs and innovation to economy success.

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EARMA sees the basic principles of FP simplification to be:

Stability and continuity of rules and principles: Retain successful rules and procedures and introduce new rules and procedures for FP8 after consultation with the relevant stakeholders.

Uniform and transparent interpretation and application of rules: All actors of the Commission - project officers, auditors and other commission personnel - involved in research and innovation program should interpret and apply the rules in the same uniform and transparent way.

Greatest possible harmonization of financial rules across different FP instruments (and other Union RTD related programs):

The European research community is multifaceted and diverse and the Commission's intervention mechanisms and funding instruments should mirror this diversity. Therefore, too rigidly and narrowly defined a European research policy would be counterproductive and must be avoided. There are currently too many different models in the various programs and we welcome the ambition to align the financial and legal processes for different instruments. The administrative burden and its associated cost are too high for both the EC and the participating institutions. EARMA therefore calls upon the EC to take up the role of gatekeeper to ensure uniform participation and financial regulations.

Tolerable risk (respecting best interest of the research projects, mutual trust and reasonable costs of audits).

EARMA underlines the need to treat the stakeholders with a 'high trust' approach and to introduce a Tolerable Risk Error (TRE) of no less than 3,5% for research and innovation.

EARMA advocates that beneficiaries deserve 'High Trust' *ex ante* within the usual accounting principles, irrespective of national context and within the FP rules by means of certified methodologies by the EC (Certificate of Methodologies or Framework Contracts known from FP3, FP4 and FP7) or by means of accepting certificates already issued at national level.

Deep and duly assessment of the result-based system and possible application within the EU research programs: this radically new approach has to be very carefully discussed with all stakeholders and more information from the EC would be necessary.

Strand 1: Streamlining proposal and grant management under the existing rules

A fully operational and stable Participants Portal should be introduced and applied at the beginning of FP8 and more training is needed for those who have to work with the different integrated IT tools.

EARMA would appreciate it if it becomes possible for a legal entity to be able to monitor its project proposals registered in EPSS (i.e. open applications, grant agreements and archived projects).

EARMA welcomes the introduction of electronic signatures.

Coherent audit programming respecting the single audit approach is highly supported,

Ease of the personal financial liability in the Financial Regulation and Staff Regulations for project or scientific officers

Strand 2: adapting the rules under the current cost-based system

EARMA highly supports proposed concept of considering costs as eligible if registered in the official accounts of the beneficiary according to its usual accounting practice, compliant with national accounting and auditing standards. However, a clear and unified explanation of minimum FP8 financial rules and requirements has to be defined to provide more legal certainty for beneficiaries and diminish the risk of error.

All beneficiaries in FP should have the option reflecting their reality and usual accounting principles: to use either real (actual) personnel costs or average personnel cost.

EARMA advocates using single reimbursement rate for all activity types. However, different reimbursement rates have to be used for different categories of organizations. Secondary and higher education establishments should reach higher level of reimbursement rate.

EARMA has strong reservations against using single flat rate for charging indirect costs for all types of organizations. This system would undermine the principle of financial sustainability of institutions. Therefore, EARMA would welcome in FP8 both possibilities depending on the choice of the beneficiary – real indirect costs and single flat rate for charging indirect cost.

The Commission needs to take the overall responsibility to harmonies the governance and the various rules and procedures for different European research and innovation funding programs.

It seems that introducing of lump sums (or flat rates or scale of unit costs) could mean significant simplification and could reduce administrative burdens in FP projects. Introduction of lump sums thus has to be carefully prepared and discussed with all stakeholders. National legislation and usual accounting practices of beneficiaries have to be taken into account, too.

EARMA advocates that such lump sums for personnel costs should be

- based on actual costs of each organization taking into account the nature of each organization (not a one-size-fits-all approach) and accepting the official accounts of the beneficiaries, compliant with national accounting and auditing standards;
- sufficient to cover the actual gross salary costs of personnel determined according to national and internal remuneration procedures;
- not to be justified by means of actually paid costs and/or timesheets (see also below);
- not considered as the exact gross salary costs to be spent/paid and reported as is the case in the Marie Curie program.

However, declaration of real actual (average) personnel costs with time-recording should remain an option for beneficiaries.

Strand 3: Moving towards result-based instead of cost based funding

EARMA welcomes the creativity of the EC to go beyond the ordinary and explore more radical ways of funding research.

However, EARMA believe that changes of this level are to be considered very carefully.

Impact of such approach and all positive and negative effects has to be known in advance. Only after that it can be decided if it will bring requested effect of simplification and more efficient FP or not. EARMA advocates for following necessary first steps to be preformed:

- thorough wide discussions with the whole research community, taking into account the diversity and professionalism in research management and administration of this sector;
- analysis comparing pros and cons of cost-based systems and result-based systems resulting in the recommendation of the more efficient one;
- pilot projects performed already under FP7 revealing what is feasible and what not.

Lump-Sums:

Proposal 1: "Project-specific lump sums as a contribution to project costs estimated during grant evaluation/negotiation, and paid against agreed output/results". The transparency and simplification of the current evaluation process should not be sacrificed for administratively dubious reasons by setting up a lump sum system. If chosen to be used, this option seems the most consistent and the most suitable for projects of applied research and innovation. Here it seems easier to define ex-ante the output.

Proposal 2: " The publication of calls with pre-defined lump sums per project in a given subject area and selection of the proposals promising the highest scientific output for the specified lump sum". The ideas presented in this respect will effectively drain the resources of the universities even further than the present system of co-financing 25% of the real eligible direct and indirect costs . EARMA is against this proposal.

Proposal 3: "A high-trust "award" approach consisting in distributing pre-defined lump sums per project without further control by the Commission". This option is the most consistent and the most suitable for frontier research and would thus be most appropriate for basic and frontier research performed by one excellent research/team/institution (e.g. ERC). It is considered less suitable for collaborative research because of the liability risks of non-delivering partners.

General observations

As far as is possible, it is necessary to keep the **stability of rules** throughout the implementation of a FP or other program. Frequent changes, new rules for implementation and changing guides, requests and on-line systems are confusing for all stakeholders and significantly increase the cost of compliance for FP participants. No further financial or administrative changes should be introduced in FP7. Proposed simplification steps for FP8 should be carefully discussed and prepared now and necessary changes in the existing legislation should be completed (e.g. EU Financial Regulation) to ensure further smooth implementation of the rules.

Rules and IT instruments for FP8 should be clearly defined at the launch of FP8 in 2014 and should stay stable during the course of FP8. Necessary and unavoidable changes (for example, reflecting developments of IT tools or to address significant issues that develop) should be all introduced at certain periods, not continuously.

Where rules have worked successfully, their continuation through the next iteration of the program should be considered. If possible in FP8 (when principle of cost-based funding will be further implemented) rules should follow rules of FP7 and only necessary changes resulting from problematic areas identified during FP7 should be introduced. Completely new rules and principles shouldn't be created under cost-based funding.

EARMA welcomes the EC commitment to **ensure uniform interpretation and application of the rules and procedures**. Rules should be interpreted uniformly by all project officers, all Directorate Generals of the EC (DGs) and also auditing subjects (Court of Auditors, Auditors at the EC and outsourced audit companies by the EC and their auditors). EARMA would welcome more information from the EC concerning implementation of this commitment.

The unification **of rules and harmonization of specific financial rules of different FP7 instruments** (JTI, ERC, PPPs, KICs etc.) as well as **other Union programs** - independent of the Directorate General or the article of the treaty under which they are funded - is a desirable step and could be an important simplification for both FPs participants and EC itself. The European research community is multifaceted and diverse and we believe it to be important that the Commission's intervention mechanisms and funding instruments mirror this diversity. Therefore, too rigidly and narrowly defined a European research policy would be counterproductive and must be avoided. However, the types of funding instrument should not lead to a complex structure of different types of rules and regulations on application procedure, negotiation processes, agreement templates, reimbursement rates, Intellectual Property Rights etc. There are currently too many different models in the various programs and we welcome the ambition to align the financial and legal processes for different instruments. The administrative burden and its associated cost is too high for both the EC and the participating institutions. EARMA therefore calls upon the EC to take up the role of gatekeeper to ensure uniform participation and financial regulations.

EARMA realize the there is a fine and complex **balance between** the need for **transparency and accountability** by the EC and beneficiaries to the European tax payer and the **very considerable and costly administrative burdens** for control for both the EC and the beneficiaries. EARMA thus would like to stress that the EU should acknowledge the unpredictable and risky nature of knowledge generation and dissemination (i.e. education, research and innovation) AND the good intentions of beneficiaries when it comes to contributing to EU2020. That is why EARMA underline the need to treat the stakeholders in this process with a **'high trust' approach** and introduce a **Tolerable Risk Error (TRE) of no less than 3,5%** for research and innovation.

"Instrumental is the Financial Regulation in which the concept of Tolerable Risk Error (TRE) is applicable to all European Funding schemes. Research is placed in the policy area with Transport and Energy. The revision of the Financial Regulation should not only be targeted at the Framework programs for research but should encompass the Knowledge Triangle (research, education and innovation) as a whole and could be developed in its own policy area."

Furthermore, EARMA advocate that beneficiaries deserve 'High Trust' *ex ante* within the usual accounting principles, irrespective of national context and within the FP rules. In case of using cost-based system in FP8, the EC should further provide the possibility of certifying the methodologies using by beneficiaries by means of certified methodologies by the EC (Certificate of Methodologies or Framework Contracts known from FP3, FP4 and FP7) or by means of accepting certificates already issued at national level. However, the current system of Certificates of Methodology used in FP7, should be revised, and a more efficient approach should be implemented by the EC.

EARMA also welcome EC proposal for **implementing [a] new more research friendly approach of "result-based funding"** in FP8 or future FPs. Though a challenge, EARMA considers that a move to a more 'output based funding' model would result in a more efficient use of public money and greater impact of FPs. However, this radically new approach **has to be very carefully discussed with all stakeholders** and more information from the EC would be necessary.

This paper not only concerns a first response and position by EARMA, but also a commitment to cooperate with EU institutions and contribute for the discussion in the long term. Below are discussed in detail the three main strands proposed by the EC in the communication COM (2010) 187.

General Strand 1: Streamlining proposal and grant management under the existing rules

1.1 User Support, guidance, transparency, IT tools and processes

The introduction of the Research Participant Portal (PP) and its further proposed upgrading is greatly appreciated by EARMA as a first step towards a more integrated use of IT tools used for all interaction with beneficiaries in FP8. A fully operational and stable PP should be introduced and applied at the beginning of FP8. Only necessary changes should be introduced by the EC afterwards and only in certain periods, not continuously as in FP7. Continuous implementation of many new upgraded IT tools during FP7 has been and is confusing for all stakeholders (mainly coordinators that have to learn new rules for each negotiation or reporting period). All stakeholders have to be informed in advance how to use all IT tools, clear guidance defining all terms have to be provided (e.g. to prevent confusion resulting from many different systems as EPSS, ECAS, URF, NEF, SESAM, FORCE etc.). To simplify the smooth user-friendly application of PP, EARMA would appreciate it if the EC would consider dummy accounts ("play-grounds") as very helpful in training users for these new IT tools.

Furthermore, the uniform use of the IT tools by all DGs (knowledge generating family) is necessary. EARMA fully supports the EC proposal to explore the possibilities of providing more IT tools for the Community research, education and innovation programs. This development is considered critical for real simplification. In the long run EU-wide IT tools comparable to the USA "Grants.gov" for all EU grants should be strived for. .

If the URF were to be expanded to contain all communications between the legal entity and the commission it would facilitate the internal audit procedures at institutions level and it would offer an instrument that could help large legal entities to keep a better overview of the legal and financial obligations. In that framework EARMA would appreciate if EC would consider the possibility for a legal entity to be able to monitor its project proposals registered in EPSS (i.e. open applications, grant agreements and archived projects).

EARMA welcomes the introduction of electronic signatures. It will result in faster procedures and lower administrative costs. However, to ensure smooth implementation of such a system, all European and national legislation has to be carefully explored by the EC and relevant information has to be provided to all stakeholders in advance.

The automatic publication and dissemination of any publishable reports and results of projects in the new IT system for reporting is highly appreciated by EARMA and is looking forward to information on how intelligent solutions will publish reports and results.

1.2 Uniform application of rules

Coherent audit programming respecting the single audit approach is highly supported, too. In this context, EARMA would appreciate more concrete information about the proposed implementation of this approach. The EC should also consider performing more *ex-post* audits for running projects from the start of FP8.

EARMA also believes that if the personal financial liability in the Financial Regulation and Staff Regulations for project or scientific officers were eased, this would mean a further simplification of the administrative burden.

1.3 Optimizing the structure and timing of calls for proposals

The introduction of the annual calendar for calls and deadlines is much appreciated and helps researchers to develop a more strategic planning cycle for research projects. However, the European Commission should take into account holidays spread in Europe and plan calls reasonably to provide participants with a feasible submission period (e.g. no publication of calls just before summer holidays and deadlines very shortly after summer or Christmas holidays). The EC should also consider possibility of spreading deadlines of calls of different thematic priorities of FP7 through the year. Setting the deadlines of most calls concentrated in a short period of few months is very resource demanding for researchers and organizations who want to apply in different priorities.

EARMA welcomes extended use of two-stage submission and evaluation of FP8 project proposals, but its usage and the way of implementation sometimes has to be adapted to specific scientific needs of the calls. Among the EARMA constituency there is a mixed experience with this system. In general it was perceived that 2-stage submission works reasonably well e.g. in complex health projects but e.g. within some ICT projects it was found that 2-stage submission entailed doing the work twice. EARMA also advocates that the two-stage system shouldn't lead to a longer period of time to grant.

1.4 Adapting sizes of consortia

EARMA agrees that reducing the size of consortia whenever possible would contribute to the simplification of EU projects, not only in terms of administration and coordination but also in terms of science itself and thus this approach is highly welcomed by EARMA.

However, in some cases, depending of the specific scientific needs of the calls or research areas, it seems more efficient to have bigger consortia to gain a larger amount of money, achieve better impact and to avoid parallel financing of the same activities. The EC should bear this in mind while adapting the indication on expected sizes of projects and in these justified special cases bigger consortia should be preferred compared the smaller ones (i.e. this approach should be applied ONLY when justified, exceptionally and it has to be specified the call for proposals).

Smaller consortia could result in higher number of implemented projects resulting in increased demand on the EC services and thus possible longer time-to-grant and time-to-pay. EARMA thus would welcome more information from the EC to be able to consider the impact of this approach to reducing these kinds of times.

1.5 More extended use of prizes

EARMA doubts the use of Prizes in place of Grant awards as a means of reducing the administrative burdens and financing of research. The pilot project will hopefully yield more information on how this would work in practice.

Strand 2: Adapting the rules under the current cost-based system

2.1 Broader acceptance of usual accounting practices

EARMA highly supports proposed concept of considering costs as eligible if registered in the official accounts of the beneficiary according to its usual accounting practice, compliant with national accounting and auditing standards. It is positively seen that the EC seems to show more trust in normal institutional practices, national standards and possible further delegation of control from the EC to the national level. This approach should be applied mainly for all cost categories and (mainly) average personnel costs and real indirect cost methodologies.

However, a clear and unified explanation of minimum FP8 financial rules and requirements has to be defined to provide more legal certainty for beneficiaries and diminish the risk of error. No more "vague definitions" of rules (i.e. "grey areas") opening space for individual explanations should exist. In case of "grey area" the auditor should respect the usual accounting principle of the beneficiary. Consequently, beneficiary acting in good faith according to its usual practice (compliant with the national standards and clear written FP8 minimum financial rules) should be safe in case of any financial audit.

2.2 Average personnel costs

All beneficiaries in FP should have the option reflecting their reality and usual accounting principles: to use either real (actual) personnel costs or average personnel cost. Usage of average personnel costs should be indeed based on the beneficiary's methodology applied as usual management principle and accounting practice of the beneficiary (i.e. applied also for e.g. contractual research and nationally funded projects of the beneficiary)

The EC consideration for simplifying the criteria using the average personnel cost methodologies is most welcome. EARMA agrees to the arguments given in the communication and the requirements to make it possible. However, certification of the methodologies by national public authorities should be only an option, not an obligation. There don't have to be any legitimate public authorities issuing such certificates in all countries.

2.3 Limiting the variety of rules

EARMA generally welcomes the EC idea of using common set of basic principles instead of a "tailor-made" approach. National legislations and institutional practices are too much heterogenous and it seems unable, ineffective and error-prone to create totally complex FP financial rules reflecting all these specifics. On the other side, approach "one-size fits all" is not the ideal approach because it doesn't reflect economic reality. The approach "few-sizes-fit-most" seems the most appropriate one.

EARMA thus advocates **using single reimbursement rate for all activity types**. However, **different reimbursement rates have to be used for different categories of organizations**. The following organizations should reach higher level of reimbursement rate: non-profit public bodies, non-profit research organizations, SMEs, secondary and higher education establishments. Dividing of legal entities should follow the same rules as in FP7, data already validated and stored in the Unique Registration Facility (URF) should be used also in FP8.

EARMA has strong reservation against using single flat rate for charging indirect costs for all types of organizations. This system would undermine the principle of financial sustainability of institutions. Many universities and public research institutions in many European countries have already started the process of preparation and implementation of full costing systems (real indirect cost methodologies) and it is considered as a move in the right direction. It is important, that the EC recognizes the need for these organizations to recover the full costs of their activities. On the other side, there will be in the future still some organizations not able to use methodologies of real indirect costs. Therefore, **EARMA would welcome in FP8 both possibilities depending on the choice of the beneficiary – real indirect costs and single flat rate for charging indirect cost**. Based on the principle of "broader acceptance of usual accounting practices" EC should consider accepting certificates provided by national public authorities.

The Commission needs to take the overall responsibility to harmonize the governance and the various rules and procedures for different European research funding programs. This should not only be the case for Joint Technology Initiatives (JTI), Article 169 and Private Public Partnerships (PPP) but also for the Joint Programming Initiatives (JPI), Structural funds and the Competitiveness and Innovation Program (CIP).

2.4 Interest on pre-financing

The suggestion made in the communication COM (2010) 187 to fully or partially suppress the obligation to recover interest on pre-financing is strongly supported by EARMA. The obligation to open interest-bearing bank accounts imposes a large administrative burden on the organizations. Public bodies often have restrictions in national regulations for its management of bank accounts. EARMA is of the opinion that the obligation should be removed.

Incorporate the method for calculation of interest on pre-financing in the COM or Framework contract (see strand 1.2 Uniform application of rules) to be concluded with the participant for all his EU grants.

2.5 More Lump Sum elements in the current cost-based approach

It seems that introducing of lump sums (or flat rates or scale of unit costs) could mean significant simplification and could reduce administrative burdens in FP projects (especially for lump sums for personnel costs connected with removal of necessity of timesheets). However, EARMA warns that implementation of lump sums could be connected with some negative effect – especially regarding the amount of lump sums (reflecting the possibility of insufficient amount, heterogeneous national/ regional/ sectoral/ institutional/individual specificities, issue of possible profit etc.). Introduction of lump sums thus has to be carefully prepared and discussed with all stakeholders. National legislation and usual accounting practices of beneficiaries have to be taken into account, too (E.G. introduction of flat rate for daily accommodation and daily allowance in FP7 seems not as effective simplification used by beneficiaries because it doesn't reflect efficiently national and institutional practices).

EARMA would welcome the EC to propose possible concrete ways for implementing lump sums especially for personnel costs and open them for broader discussion of all stakeholders. EARMA advocates that such lump sums for personnel costs should be

- based on actual costs of each organization taking into account the nature of each organization (not a one-size-fits-all approach) and accepting the official accounts of the beneficiaries, compliant with national accounting and auditing standards;
- sufficient to cover the actual gross salary costs of personnel determined according to national and internal remuneration procedures;
- not to be justified by means of actually paid costs and/or timesheets (see also below);
- not considered as the exact gross salary costs to be spent/paid and reported as is the case in the Marie Curie program.

However, declaration of real actual (average) personnel costs with time-recording should remain an option for beneficiaries.

Possibility to use lump sum financing should be according to the EARMA maintained for certain organizations in ICPC countries.

2.6 Accelerating project selection

EARMA doesn't approve the EC proposal to remove the legal requirement of committees of Member States (i.e. Program Committees).

Strand 3: Moving towards result-based instead of cost based funding

EARMA appreciates that the EC has launched the idea of result-based funding and welcomes the creativity of the EC to go beyond the ordinary and explore more radical ways of funding research. This approach could have potential many positive effects as lower administrative burden for beneficiaries (and thus higher attractiveness for the excellent researchers), more efficient use of public financial sources (mainly for research and not administration), science oriented motivation for participation, more effective evaluation of results of FP projects and its impact (based on technical audits not financial audits).

However, EARMA believe that changes of this level are to be considered very carefully. Impact of such approach and all positive and negative effects has to be known in advance. Only after that it can be decided if it will bring requested effect of simplification and more efficient FP or not. EARMA advocates for following necessary first steps to be preformed:

- thorough wide discussions with the whole research community, taking into account the diversity and professionalism in research management and administration of this sector;
- analysis comparing pros and cons of cost-based systems and result-based systems resulting in the recommendation of the more efficient one;
- pilot projects performed already under FP7 revealing what is feasible and what not.

Below are described some points that EARMA is worried about and hopes that the EC will take them in consideration while analyzing the possible introduction and impact of result-based funding.

- EARMA worries how common and acceptable **meaning of output** could be defined.
- EARMA has doubts about all kind of operational and implementation consequences in **cooperation projects: e.g. defaulting partner** and other liability issues etc.
- EARMA anticipates a greater risk for inducing **conflicts in consortia**, requiring more complex Consortium Agreements. Project management will most likely still be based on costs and the coordinators may be less willing to distribute pre- and intermediate financing to the other beneficiaries until they can demonstrate results. This will be a problem for financially weak actors such as SMEs. EARMA thus afraid that a change of this kind could decrease the fruitful collaborations within Europe and could weaken the European competitiveness and prompt the research community to focus on national funding, which may be available on more favorable terms.
- EARMA worries that a radical shift of focus from the financial side to the scientific side by payment against output/deliverables/demonstration might be very detrimental since **it could result in projects with lower risk** and a lower degree of true scientific exploration. Projects with lower risk and safer scientific aims (deliverables) could be preferred if payment is based on output.
- EARMA worries that evaluation of the output, "audit of deliverables", will also introduce a greater arbitrariness and leaves **much room for interpretation**. If science goes wrong and a deliverable/result cannot for some external reason be achieved, this will lead to insecurity as to whether or not the payment will be received. If the payment is issued against "best effort", who will decide whether the work has been done according to that principle? How can this result-based evaluation be performed in a fair and consistent way? It is a question of interpretation that could further delay payments. In that sense, financial controls seem more tangible instrument of ex-ante and ex-post controls.
- EARMA believe that result-based approach is not suitable to fund all types of research and appeal EC to examine different research areas and the potential to apply the result-based system.
- It seems for EARMA highly difficult to set level of the lump sum for the project / individual participants reflecting heterogeneous level of incomes and costs in different countries/regions/institutions.

It seems to EARMA that the current system does have some benefits in terms of the evaluation of scientific benefits and project management. Therefore gradual, rather than radical, change is needed.

As far as is possible, it is necessary to keep the **stability of rules** throughout the implementation of a FP or other program. Frequent changes, new rules for implementation and changing guides, requests and on-line systems are confusing for all stakeholders and significantly increase the cost of compliance for FP participants. No further financial or administrative changes should be introduced in FP7. Proposed simplification steps for FP8 should be carefully discussed and prepared now and necessary changes in the existing legislation should be completed (e.g. EU Financial Regulation) to ensure further smooth implementation of the rules.

Rules and IT instruments for FP8 should be clearly defined at the launch of FP8 in 2014 and should stay stable during the course of FP8. Necessary and unavoidable changes (for example, reflecting developments of IT tools or to address significant issues that develop) should be all introduced at certain periods, not continuously.

Where rules have worked successfully, their continuation through the next iteration of the program should be considered. If possible in FP8 (when principle of cost-based funding will be further implemented) rules should follow rules of FP7 and only necessary changes resulting from problematic areas identified during FP7 should be introduced. Completely new rules and principles shouldn't be created under cost-based funding.

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

Pre-defined lump sums per project in itself are seen as very positive and effective if there is no longer a need for participants to split the project costs to the eurocent as is required at present. But to define measurable output-indicators for result-based funding will affect the proposal writing process and the evaluation system. The FP7 Cooperation program evaluation system has already been significantly simplified by reducing the number of criteria from six in FP6 to three in FP7.

The transparency and simplification of the current evaluation process should not be sacrificed for administratively dubious reasons by setting up a lump sum system.

If chosen to be used, this option seems the most consistent and the most suitable for projects of applied research and innovation. Here it seems easier to define ex-ante the output.

3.2 The publication of calls with pre-defined lump sums per project in a given subject area and selection of the proposals promising the highest scientific output for the specified lump sum:

The ideas presented in this respect will effectively drain the resources of the universities even further than the present system of co-financing 25% of the real eligible direct and indirect costs

This approach would favor R&D actors in less developed regions because of their lower cost levels.

3.3 A high-trust "award" approach consisting in distributing pre-defined lump sums per project without further control by the Commission:

Beneficiaries are very commonly controlled and frequently audited by a multitude of governmental agencies and auditors. This means that in general their accounting practices are consistent with the general requirements on EU funding as these are laid down in the Financial Regulation. A high-trust "award" approach would build upon this system instead of adding another layer of control and auditing.

This option is the most consistent and the most suitable for frontier research and would thus be most appropriate for basic and frontier research performed by one excellent research/team/institution (e.g. ERC). It is considered less suitable for collaborative research because of the liability risks of non-delivering partners.

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