Impactful simplification of the EU Framework Programme for Research & Innovation

20 March 2018, Brussels
Impactful simplification of the EU Framework Programme for Research & Innovation

Table of contents

- EUA activities on funding and simplification of the EU Framework Programme for R&I
- Key topics of EUA simplification agenda
- Preliminary results of EUA membership consultation on H2020 simplification
- EUA recommendations and next steps
Impactful simplification of the EU Framework Programme for Research & Innovation

**EUA activities on funding and simplification**

**Spring 2016**
- EUA member consultation on the mid-term review of Horizon 2020 and Erasmus+
  - 153 higher education institutions from 28 countries with various institutional profiles
  - Results: “EUA member consultation on the Horizon 2020 mid-term review”

**2017**
- EUA position papers “Ambitious funding for excellent research in Europe post-2020” (May 2017) and “From Vision to Action: What EUA proposes for the Next FP for Research and Innovation (FP9)” (Nov. 2017)

**Winter 2017**
- Consultations with EUA members and expert group on simplification
  - Meeting with the Commission, European Court of Auditors, national funders and universities (October 2017)
  - Launch of EUA survey on H2020 simplification: 69 responses from HEIs with various profiles in 23 countries
  - Launch of EUA expert group on FP9 simplification

**Spring 2018**
- EUA position paper “Taking simplification of EU Funding to the next level. The university perspective”
  - Meetings with EC expert group on simplification in audits and European Court of Auditors
  - EUA response to Commission’s stakeholder consultation on EU funds in the area of research & innovation

**2018-2019**
- EUA Compendium of institutional and national accounting practices and technical briefs on FP9 simplification
- EUA exchange with EU institutions, EUA membership and stakeholders on FP9 design and rules for participation
Impactful simplification of the EU Framework Programme for Research & Innovation

Why simplification?

Application
- ca. 90%
  - H2020 proposals remain unfunded

Participation
- 750 pages
  - H2020 Annotated Model Grant Agreement

Reporting
- ca. 7%
  - H2020 projects audited

Why simplification?

- Lack of funding
- Lack of efficiency
- Lack of trust

- ca. 1.7 billion
  - Spent on unsuccessful proposals so far in H2020

- ca. 7%
  - Average H2020 project management budget

- ca. 4.1%
  - Estimated error rate under Competitiveness for Jobs and Growth in 2016

Wednesday, March 21, 2018
© EUA 2017
Limited acceptance of institutional / national accounting practices

Use of institutional accounting practices for cost accounting
(Total respondents, n = 144/153)

- Yes: 12%
- With restrictions: 35%
- Need to set up a different process: 53%
• Impactful simplification: focus on beneficiaries and primary processes
• Respect for diversity of participating organisations and actions
• Support for long-term financial sustainability of universities and other beneficiaries
• A higher level of trust
• Alignment of rules and a sufficient degree of continuity
• Thorough assessment of pilot schemes
**EUA simplification agenda:**

**Broader acceptance of institutional/national accounting practices**

<table>
<thead>
<tr>
<th>Category</th>
<th>Acceptance Details</th>
</tr>
</thead>
</table>
| Personnel costs        | • Acceptance of various salary components  
                          • Acceptance of national systems for allocation of working hours  
                          • Waiving of the proof of actual payment |
| Unit costs             | • Acceptance of unit costs for major and small research facilities  
                          • Ability to use actual costs for unit rates and average costs |
| Time recording         | • Acceptance of the institutional/national time recording systems  
                          • Trust-based approach (e.g. use of declarations) |
| Internal invoicing     | • Further improvement of internal invoicing provisions with regard to indirect costs |
| Reporting and audit    | • Eligibility of audit costs for each reporting period  
                          • Trust-based approach  
                          • Cross-reliance on audits |
**EUA simplification agenda: Additional issues**

| Lump sums                                                                 | • Importance of a piloting phase and a thorough evaluation  
|                                                                          | • Universities not prepared for drastic changes in reporting |
| Additional remuneration                                                  | • Lack of consistency and objectivity, fear of systematic error |
| Cascading grants                                                         | • Issues of accountability                                       
|                                                                          | • Potentially higher administrative burden because of mixed financial regulations |
| Synergies across EU funding schemes                                     | • Importance of harmonisation of financial rules across different EU funding schemes for research and innovation and with national funding programmes |
Impactful simplification of the EU Framework Programme for Research & Innovation

**EUA membership consultation on FP simplification**

**Aim**
- Collecting evidence on ways to simplify and enhance efficiency of the EU FP
- Limit any “unintended consequences” of recent changes to the MGA

**Scope**
- Acceptance of national and institutional accounting and management practices
- Use of lump sums in project funding
- Use of cascading grant option/call for third parties
- Use of the additional remuneration scheme

**Timing**
Autumn 2017 - February 2018

**Sample**
69 valid responses from 23 European countries
Survey results: acceptance of institutional cost accounting practices under FP9
Total respondents, n=69

**Impactful simplification of the EU Framework Programme for Research & Innovation**

- **Acceptance of all types of costs**
  40 respondents believe that a broader acceptance of institutional cost accounting practices involving all types of costs would be a major step for the simplification of FP9.

- **Acceptance of rules for hiring staff**
  27 respondents believe that EU funders should allow application of national rules for hiring staff. This is particularly relevant for temporary staff, sometimes accounted as subcontractors.

- **Flexible certifying methodologies for unit costs**
  25 respondents believe that certification of unit costs by the Commission should be more flexible and less prescriptive to make the process faster and more transparent.

- **Acceptance of national rules for depreciation**

- **Acceptance of rules for time recording**

- **Acceptance of rules for tax refund**
Survey results: use of lump sum costs within a grant
Total respondents, n=69

Only one third of respondents have experience with lump sum costs within H2020 grants.

Experienced respondents are found to be mostly satisfied with the coverage of actual costs (13/19) and accounting/reporting rules (14/19) as well as with the possibility to apply the scheme to various H2020 actions.
Impactful simplification of the EU Framework Programme for Research & Innovation

Survey results: ways to improve the use of (any type of) lump sum schemes or actions in FP9
Total respondents, n=64

Nearly one half of respondents report that lump sums should be either fully abandoned (3%) or limited to specific actions (47%).
## Advantages and disadvantages of lump sum schemes

<table>
<thead>
<tr>
<th>Advantage (Positive)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less workload on project proposal and preparation</td>
<td>71%</td>
</tr>
<tr>
<td>No calculation of total eligible costs required</td>
<td>51%</td>
</tr>
<tr>
<td>More flexible financial management within the consortium</td>
<td>51%</td>
</tr>
<tr>
<td>Common financial statement for the consortium</td>
<td>20%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Disadvantage (Negative)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk of failure in providing full coverage of actual costs</td>
<td>59%</td>
</tr>
<tr>
<td>Difficulties in performance assessment/higher risks of non-compliance</td>
<td>52%</td>
</tr>
<tr>
<td>Reduced transparency for partners and funder in consortium financial management</td>
<td>46%</td>
</tr>
<tr>
<td>Risk of misuse to generate income to the detriment of quality</td>
<td>29%</td>
</tr>
</tbody>
</table>
Ghent University: Payments of lump sums need to be based on work package level per partner with clearly defined criteria against which it can be proven that the expected tasks have been fully completed. [...] The ‘lump sum scheme’ will certainly shift the workload from financial managers/controllers towards researchers.

Masaryk University: The simplicity of the lump sum is obvious, but when it is used for more complex actions, significant problems might arise with specificity for given country and for a given action. We would prefer to be able to use real costs (with usual institutional practice as an eligibility rule, not the overly complex system currently applied to personnel costs).

University of la Rochelle, France: In H2020, only two project calls are concerned by the “lump-sum funding” pilot, which is too few to draw conclusions for the forthcoming FP. Beyond this date, one solution would be to extend the pilot to more calls for proposals, about ten, providing a more representative sample of the FP. Extending the experiment would also provide an occasion to test the lump sum out on reputedly complex projects, i.e. fundamental, with numerous partners, or a significant budget. At the end of the experiment, the EC would possess sufficient evidence to decide on whether to integrate lump sums into the FP.
‘Cascading’ grants

This scheme allows a part of the budget to be set aside by the consortium for third parties, entities that are not part of the consortium, through an open call for proposals or as prize for a contest. A call is published to find a consortium that itself publishes different calls for a specific target group.

Providing financial support to third parties under the FP
Total respondents, n=61/69

- Yes: 5
- No: 56

Benefiting as a third party from funds distributed by an FP-funded consortium
Total respondents, n=58/69

- Yes: 29
- No: 29

Few respondents (5) managed a cascading grant, whereas more (29) benefited from such funding as a third party in FP. The majority of the latter are generally satisfied with the eligibility conditions, access to information, transparency and fair competition of the scheme.
Ludwig-Maximilians-Universität München: Who is responsible for the work done by the recipient of the grant towards the Commission? The coordinator of the project? Another beneficiary in charge of managing these grants? This construction might sound a good idea to bring more flexibility in the implementation of a project, but in fact this is more a simplification for the European Commission than for the consortium.

Masaryk University: We have projects in one MSCA-COFUND, which is fine in terms of grant setup, but to the rules set up by the EC, the co-funder (in our case a regional authority) adds extra set of rules in terms of financial management, which makes implementation administratively complicated. In some cases, the use of joint programming, ERA-NETs, and other significantly limits the access to grants, as those are not submitted and managed through Participant Portal and therefore it may be complicated to find information about the calls.
Impactful simplification of the EU Framework Programme for Research & Innovation

Suggested use of cascading grants in FP9
Total respondents, n=54/69

63% of respondents believe that cascading grant options in FP9 shall be either reduced or fully abandoned or limited to specific actions, such as Innovation Actions and Coordination and Support Actions.
Impactful simplification of the EU Framework Programme for Research & Innovation

Additional remuneration applied to personnel costs

Total respondents, n=68/69

‘Additional remuneration’ means any part of the remuneration which exceeds what the person would be paid for time worked in projects funded by national schemes. The Commission’s objective is to make sure that personnel costs under Horizon 2020 are at least at the same level as in nationally funded projects.

Results show very limited use of this mechanism by respondents. However, 11 institutions are currently taking steps to be able to apply this mechanism in the future.

- Mechanism not in use
- Mechanism not yet in use, but under consideration for the future
- Mechanism in use
- Mechanism applied by other partners
- I don't know
Impactful simplification of the EU Framework Programme for Research & Innovation

EUA recommendation

Simplification should be guided by the diversity of actions and beneficiaries, supported through a broader acceptance of nationally recognised accounting practices and cross-reliance on audits, with the aim to reduce the risk of errors in financial management of EU-funded projects and improve efficiency.

Several options should be made available to participants in FP9:

1. Certification of institutional methodologies in the beginning of FP9 through an improved procedure.
2. Accepting national accounting systems developed by the sector in several European countries (e.g. DK, FI, IE, NO, SE, UK).
3. An improved model based on the currently existing H2020 procedures.
Next steps

• Launch of the results of the EUA membership consultation on FP simplification (Spring 2018)
• Compendium of institutional and national accounting practices (Spring 2018)
• Technical briefs accompanying the compendium of practices (Summer 2018)

How to contribute?

• Provide feedback on issues raised in the EUA membership consultation on FP simplification
• Contribute to the discussions at the 4th EUA Funding Forum “Frameworks that empower, universities that deliver”
Thank you for your attention

Veronika Kupriyanova
Veronika.Kupriyanova@eua.eu