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COMMISSION STAFF WORKING DOCUMENT
SIMPLIFICATION IN THE 7TH FRAMEWORK PROGRAMME

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1. A CRITICAL SUCCESS FACTOR

Over the past 20 years the Community's research Framework Programme has expanded significantly in terms of budget, scale, scope and ambition. In line with this expansion, a range of different types of support have been developed to target an increasingly broad range of beneficiaries across an enlarging geographical area.

This evolution has brought with it increased complexity in terms of a multiplication of types of instrument, forms of contribution, requirements for submission and reporting, and rules of implementation. As well as the greater breadth, increased financial support, and growing number of participants associated with the projects being funded, this complexity has been accentuated by the need for internal and external controls to ensure that Community funds are spent wisely and correctly.

Important steps towards simplification have already been taken, not least in the design and implementation rules of the current 6th Framework Programme (FP6). Since then a series of measures have been implemented as a result of the assessment of the new instruments introduced under FP6 that was carried out under the chairmanship of Mr Ramon Marimon, as well as through the Commission's rationalisation and acceleration Action Plan.

Despite this progress, participation in FP6 remains complex for non-administrators, and in particular for smaller actors. Further simplification and rationalisation is a "*conditio sine qua non*": a critical success factor for the high-quality and efficient implementation of future Community RTD actions, in particular within the framework of a doubled research budget.

In this context, the proposal for the 7th Framework Programme (FP7) represents both an opportunity and a challenge. In accordance with his clear commitment to simplification at all levels of EU research support, the Commissioner for Research, Mr Janez Potočnik, called for the establishment of a Commission inter-services working group (ISWG)¹ to bring forward proposals for simplification under FP7. In addition, a Sounding Board of smaller actors has been set up with the aim of removing or reducing the barriers faced by small players participating in FP7.

In order fully to achieve these objectives, simplification must not only be pursued through the modification of administrative and financial rules, but also by streamlining the ways in which the Framework Programme and individual research projects are managed. A first set of concrete measures for the simplification of implementation modalities has therefore been developed.

¹ ISWG composition research DGs (RTD, INFSO, TREN, ENTR, FISH, JRC), the SG, LS, DG BUDG, DG EAC, DG ADMIN.

2. SIMPLIFICATION OF IMPLEMENTATION MODALITIES

The implementation modalities of FP7 will be based on three principles:

- (1) Flexibility - providing the necessary tools to achieve FP7 objectives efficiently;
- (2) Rationalisation - establishing a better balance between risks and controls, avoiding procedures, rules and requests that have no added value, and aiming for the reduction of delays;
- (3) Coherence clarifying rights and obligations, ensuring consistent and user-friendly communication, matching objectives and means, and taking into account participants' own practices and pre-existing rules as far as possible.

In addition to ensuring continuity and building on the successes of FP6, FP7 will aim to benefit from a range of measures designed to guarantee high-quality and efficient implementation. In the first instance, the following set of 10 concrete measures – some of them subject to the review of the Financial Regulation applicable to the general budget of the European Communities – for simplification of implementation modalities, both for participants and for the Commission services, is proposed. Further options will continue to be explored, not least through the ongoing work of the inter-service working group on simplification and the Sounding Board of smaller actors. On the basis of these discussions, concrete measures will be incorporated into the FP7 specific programmes or the rules for participation and dissemination of results.

2.1. A simple set of funding schemes allowing continuity with the instruments of FP6 and providing a broad flexibility of use

While the scientific and political objectives of FP7 demand continuity with the instruments of FP6, they also require the introduction of new instruments. In addition, the extension of the duration of FP7 to seven years necessitates the introduction of sufficient flexibility to allow for any needs which could arise during its implementation to be addressed.

Rather than pre-defining the instruments in a fixed way, in their objectives as well as in their contents, and particularly in terms of activities and critical mass, it is therefore proposed that the different categories of actions should be implemented through a simple set of funding schemes, used either alone or in combination,

This approach will leave it to the specific programmes, work programmes and the calls for proposals to specify the types of funding schemes proposed to fund the different categories of actions foreseen, as well as the categories of participants concerned (organizations of research, universities, industry, public authorities etc.) and the types of activities able to be supported (research, demonstration, training, use and dissemination, transfer of knowledge, management etc.). Consequently it will provide both participants and the Commission with the very broad degree of flexibility that is necessary to achieve the scientific and political objectives of FP7.

2.2. Consistent, high-quality communication

Clear and consistent communication is the “*conditio sine qua non*” to guarantee that the scientific community has a strong comprehension of the objectives and implementation modalities of FP7, and thus avoiding any misunderstandings.

To this end, various complementary measures will be developed:

- Information materials will be rationalised in order to be as accessible as possible. They will be compiled in a clearer and more user-friendly style that is more accessible to non-specialists (avoiding jargon and acronyms), and will be re-examined by external users or communication experts before publication. Furthermore, their number and size will be reduced through the inclusion only of information that is strictly necessary for the purpose. Duplication of information and variations in the presentation of the same information in different documents will also be avoided, in order to exclude any possibility of differing interpretations.
- A uniform interpretation, in particular of the legal and financial provisions of the contracts, will be ensured across all of the Commission services concerned. For this purpose a single clearing house will be established, guaranteeing that the messages given out by the Commission are consistent and uniform.

2.3. Rationalisation of the requests for information addressed to the participants

An electronic registration desk will be established in order to prevent participants being asked to submit the same information at the submission, negotiation and implementation stages of each project in which they are involved. A participant will therefore submit its basic legal, administrative and financial information only once, at the time of its first participation, and will receive a personal registration number to be used for all future participation in FP7. This database will be used by all the Research DGs. As a consequence, information requested from participants at the evaluation and negotiation stages will only concern the proposal currently being submitted, and will be limited to that which is absolutely necessary for a proper evaluation of their proposal and to data that is definitively needed to establish the grant agreement (“contract”).

In this context, the two stage submission procedure will also be extended to any relevant call for proposals. A particular simplification would be to remove the obligation to provide supplementary forms at the negotiation stage by eliminating the contract preparation form. The establishment of the grant agreement would then only require data additional to those already provided either in the proposal submitted for evaluation, or already available in Commission's internal database.

In FP7, periodic and final reports on project implementation will only require information that is absolutely necessary for a proper and efficient project follow-up by Commission services. To this end, their number and content will be reviewed. As an example, the duration of reporting periods, as well as the request for audit certificates, will be rationalised by taking into account the specificity of each action.

The systematic use of electronic tools for proposals submission, grant agreement (“contract”) negotiations and submission of periodic and final reports during project implementation will also accentuate these steps towards rationalisation.

2.4. Guaranteeing the protection of the Community's financial interest without imposing an undue burden on participants by reducing a-priori controls to a bare minimum

The attribution of a grant requires certain preliminary checks in the name of the sound financial management of public funds and the protection of Community's financial interests. Without calling into question these necessary principles, their application should not however result in the establishment of procedures which lead to unacceptable delays, discourage participants from submitting their proposals, prevent their participation through procedures that are overly restrictive when compared with requirements, and introduce inequalities of treatment due to non-homogeneous practices.

To this end, three main measures will be implemented:

- During proposal evaluation participants will be assessed by competent external evaluators in order to establish if they have, or will have in due time, the operational capacity to implement the work and to achieve the results as foreseen. Commission services will subsequently implement their recommendations;
- Assessment of financial viability will be based on a single list of criteria, in accordance with the Financial Regulation applicable to the general budget of the European Communities, that must be fulfilled and documents that are required. This list will be adhered to by all Commission services concerned and will be published in order for participants to know exactly what kind of documents they will have to provide and for what purpose;
- While the provision of financial guarantees will be maintained, more flexible and user-friendly solutions which guarantee the same level of financial safety will be exploited, such as the financial collective responsibility of the consortium, reducing pre-financing conditioned release of pre-financing, blocked account, etc.

2.5. Full operational autonomy entrusted to consortia

Flexibility of implementation must be entrusted to consortia in order to ensure a high level of management autonomy, allowing them to achieve their project objectives under the best possible conditions.

Commission services will focus their follow-up on an assessment of progressive implementation of the project. In accordance with this, the requested content of periodic (and final) reports will be adapted in order to avoid inappropriate micro-management.

The grant agreement ("contract") provisions will also take this autonomy and flexibility into account. In addition to an extended use of lump sum financing, in the case of grant consisting in reimbursement of costs, the definition of eligible costs, taking into account the principles of economy, efficiency and effectiveness, will be based on the concept of actual costs incurred for the sole purpose of achieving the project objectives, not only determined according to participants' usual accounting principles, but also according to their usual management practices.

Principles of sound financial management specific to each public grant, as well as the financial interests of the Community, will be guaranteed through the periodic provision by

consortia of audit certificates provided by independent auditors. These will certify that justified costs declared by the participants meet the definition of eligible and non-eligible costs (including exclusion of any reckless expenditure). The simplified framework for the Community's financial contribution, as addressed in points 2.8 to 2.10, should however drastically reduce the costs of such audit certificates. In addition, Commission services will implement a strong audit strategy aimed primarily at combating fraudulent attitudes, establishing penalties to act as a deterrent as far as possible.

Conscious that this very broad autonomy will require consortia to establish the conditions of their co-operation through concrete consortium agreement, the Commission will provide supports on these management issues by organising or providing tools for intensive training sessions for all project coordinators respecting the principle of equality of treatment, and by establishing help-desks dealing with project management issues.

2.6. Streamlining the selection process

The need to request and obtain the approval of Programme Committee(s) and Commission services before granting individual grants, even when limited only to those projects which exceed a certain ceiling of financial support, represents a substantial drain on time and resources. Furthermore, it has almost never been the case that proposed projects have been contested at this level.

It is therefore proposed that this step of comitology procedure is removed and replaced with a simple information procedure, as project selection belongs to budget execution. Such an approach, while not calling into question the essential role of the Programme Committee(s) for the development and validation of any work programme, will make it possible to reduce the time between the opening of negotiations and the effective entry into force of the grant agreements (contracts).

2.7. Most effective possible use of the budget dedicated to the research policy

While principles of sound financial management must govern any use of the budget dedicated to research policy, a broader flexibility must be afforded, as is already the case for other policies of the Community (e.g. Structural Funds), in order to allow the full and complete use of this budget in the most effective possible way. The critical contribution to be made by research in achieving the Lisbon agenda has been widely recognised, and such flexibility would help to enable research policy to play its fullest possible role in contributing to the EU's broader policy objectives in this context. Proposals in this respect will be considered in the forthcoming proposal to amend the Financial Regulation applicable to the general budget of the European Communities and its implementing rules.

2.8. A more extended use of flat-rate financing within a simplified framework of forms taken by Community financial contributions

The forms taken by the Community financial contributions must be commensurate with the objectives and the specific characteristics of the actions they support. To this end, while ensuring broad continuity with FP6, the recourse to lump sum financing must be favoured where the conditions for its effective use will be met. In addition, a rationalisation of the forms taken by Community financial contributions must be carried out.

Aside from the price payment provided for under public procurement procedures, two main forms of grants will be proposed:

- Lump sum financing for those actions where, according to their characteristics and objectives, such an approach represents simplification but nevertheless ensures sound financial management of public funds (e.g. Individual projects - Frontier Research Actions, some Coordination/Support actions, and some Marie Curie schemes).

As far as Networks of Excellence are concerned, major simplification will be introduced. The payment of the Community's financial contribution will no longer be based on reimbursement of the justified eligible costs of the Joint Programme of Activities (JPA). Solution envisaged include periodic release of a fixed lump sum according to the assessment of the progressive implementation of the JPA through the measurement of integration of research resources and capacities based on a clear set of indicators as negotiated with the consortia.

- A grant to the budget (consisting of a reimbursement of eligible costs) for those actions where a flat-rate financing approach is by nature not appropriate (e.g. Collaborative projects, Research projects for the benefit of specific groups, some Coordination/Support actions and some Marie Curie schemes). In these cases, the Commission will also encourage the use of flat-rate financing for certain type of expenditure (e.g. indirect costs).

In addition, subscriptions to organisations ("cotisation") and other forms of financial contribution foreseen by the Financial Regulation applicable to the general budget of the European Communities will continue to be used. Beneficiaries or criteria to define beneficiaries should be included in the FP7 basic acts.

2.9. Removing the need for complex cost reporting models and clarifying definition of eligible costs

In so far as lump sums will be a major factor of simplification, their use should be primarily considered.

The definition of eligible costs will be simplified by removing the need of cost-reporting models and will be fully in line with the principles laid down in the Financial Regulation applicable to the general budget of the European Communities and its implementing rules.

To ensure continuity with FP6, it is proposed that a flat rate of up to 20 % of the direct eligible costs, minus the eligible costs of subcontracting, will be foreseen in the rules for participation and dissemination of results.

2.10. Simplified support rates per type of activity

By removing cost reporting models, the level of support rates per types of activity (research and technological development, demonstration, training, dissemination and use, transfer of knowledge, management etc.) will be linked only to the activity concerned.

The level of support rates of eligible costs is determined by international rules relating to public support to certain type of activities, and by the enforcement of principles of non-profit and co-financing. These sound principles, already applied under FP6, must be preserved in the

approach suggested for the grant to the budget in FP7. However, several simplifications are possible, subject to modifications within the Community state aid framework for research and development.

It is therefore proposed that:

- The Community financial contribution will continue to be calculated according to eligible costs incurred and receipts obtained by the consortium, and not by each participant;
- While ensuring the principle of co-financing, the Community financial contribution will cover the eligible cost of the project;
- This general rule will apply, whatever the type of activity concerned (research, demonstration, fundamental research, etc.), of public non-profit or non-commercial bodies (universities, research organisations etc.) and any other assimilated bodies;
- For other bodies (profit-making bodies: SMEs, large companies etc.) maximum ceilings per type of activity will apply. For these entities, the maximum levels of Community financial contribution for research and demonstration activities will be set out within the limits provided by the Community state aid framework for research and development. For other activities, the general rule will also apply.

In addition to its great simplicity of implementation, this approach will guarantee an equal or greater level of financing to that obtained in identical circumstances under an FP6 project.