



**COUNCIL OF  
THE EUROPEAN UNION**

**Brussels, 29 November 2011**

**17727/11**

**RECH 398**

**NOTE**

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From: Presidency

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To: Delegations

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Subject: Report on the high level ministerial group on simplification  
- Information from the Presidency

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Delegations will find, in annex, a note from the Presidency on the above-mentioned topic.



Ministerstwo Nauki  
i Szkolnictwa Wyższego



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Ministry of Science, Innovation  
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Ministry of Education  
and Research  
Sweden

*NON PAPER*

## **Simplification of Rules and Procedures in European Research and Innovation Programmes**

*Final report*

Prepared by the Informal Ministerial Expert Group on Simplification

Submitted to the Competitiveness Council (5-6 December 2011)

## I. Introduction

### A. General framework related to simplification

Simplification has been an important issue related to the EU research policy already for many years. Nowadays – with a big number of programmes, initiatives and instruments, with various rules and procedures applied – it is simply a must. The more complex the ERA landscape is becoming, the more important is the need to simplify rules and procedures for participants of EU programmes and projects dedicated to research and innovation.

Last year the need for simplification was strongly emphasized by the Commission in the communication “Simplifying the implementation of the research framework programmes”<sup>1</sup>. The communication presented achievements in FP7 as well as possibilities for further simplification in the short and long term perspectives.

The Council reacted to it in the Conclusions of 26 May 2010<sup>2</sup>, indicating general directions and principles of simplification in R&I programmes.

On 6 October 2010 the ITRE Committee adopted the report on simplifying the implementation of the Research Framework Programmes<sup>3</sup> (which was followed by its adoption of the European Parliament at the plenary session on 11 November 2010). On the same day the Commission published the communication “Europe 2020 Flagship Initiative: Innovation Union”<sup>4</sup>, where the need to simplify access to and participation in the EU research and innovation programmes was also stressed.

On 12 October 2010 the Council adopted the Conclusions on raising the attractiveness of EU Research and Innovation programmes<sup>5</sup>, focused on the challenge of simplification. The Council underlined that “simplification of the research and innovation programmes is a crucial and urgent necessity to overcome the current complexity of funding which leads to excessive administrative burden and discourages potential beneficiaries, in particular those with a limited administrative capacity”. The Council listed two sets of simplification actions – one to be taken already with regard to FP7 and the other – to be taken in the forthcoming R&I programmes.

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<sup>1</sup> Commission Communication of 29 April 2010 entitled “Simplifying the implementation of the research framework programmes”, COM(2010) 187

<sup>2</sup> Council Conclusions of 26 May 2010 on simplified and more efficient programmes supporting European research and innovation

<sup>3</sup> Report of 6 October 2010 on simplifying the implementation of the Research Framework Programmes, ITRE

<sup>4</sup> Commission Communication of 6 October 2010 entitled “EU 2020 Flagship Initiative: Innovation Union”, COM(2010) 546 final

<sup>5</sup> Council Conclusions of 12 October 2010 on raising the attractiveness of EU Research and Innovation programmes: the challenge of simplification

Another step towards simplification was the Commission decision of 24 January 2011 on three measures for simplifying the implementation of Decision No 1982/2006/EC of the European Parliament and of the Council and Council Decision No 970/2006/Euratom and amending Decisions C(2007) 1509 and C(2007) 1625<sup>6</sup>, namely related to acceptance of average personnel cost methodologies, flat-rate financing of SME owners and other natural persons not receiving a salary and establishment of the Research Clearing Committee.

Following the reports of the expert groups on interim evaluation of FP7<sup>7</sup> and of the Risk-Sharing Finance Facility (RSFF)<sup>8</sup>, and the Commission response<sup>9</sup> to them, the Council adopted the Conclusions<sup>10</sup>, where it paid significant attention to simplification, sharing the view of the expert group that a “quantum leap” is needed in this field.

Also the Green Paper “From Challenges to Opportunities: Towards a Common Strategic Framework for EU Research and Innovation funding”<sup>11</sup> put relevant emphasis and raised high expectations on simplification.

## B. Rationale of the Informal Ministerial Expert Group on Simplification

Recognising the highest priority of simplification of European research and innovation programmes, on 12 October 2010 an informal ministerial expert group on simplification was established. Initially it consisted of representatives nominated by the ministers of research from Belgium, France, Hungary and Sweden. Later in 2010 it was extended to Spain that expressed its interest to join the Group, and to Poland, which was invited to join. In July 2011 also Denmark was invited to join. The Group has been open to any other Member State wishing to contribute to its works.

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<sup>6</sup> Commission decision of 24 January 2011 on three measures for simplifying the implementation of Decision No 1982/2006/EC of the European Parliament and of the Council and Council Decision No 970/2006/Euratom and amending Decisions C(2007) 1509 and C(2007) 1625

<sup>7</sup> Interim Evaluation of the Seventh Framework Programme, Final report of the Expert Group, 12 November 2010

<sup>8</sup> Mid-Term Evaluation of the Risk-Sharing Finance Facility (RSFF), Final draft of the Group of Independent Experts, 31 July 2010

<sup>9</sup> Commission Communication on the Response to the Report of the Expert Group on the Interim Evaluation of the Seventh Framework Programme for Research, Technological Development and Demonstration Activities and to the Report of the Expert Group on the Interim Evaluation of the Risk-Sharing Finance Facility, 9 February 2011

<sup>10</sup> Council Conclusion of 9 March 2011 on the evaluation of the Seventh Framework Programme for Research (FP7), including the risk-sharing finance facility

<sup>11</sup> Green Paper “From Challenges to Opportunities: Towards a Common Strategic Framework for EU Research and Innovation funding”, COM(2011) 48, 9 February 2011



The major goal of the Group is to “monitor actions taken by the Commission on simplification, identify obstacles and intervene when necessary at appropriate level”. “The Group is an informal initiative and has no link with any Council mandate whatsoever”<sup>12</sup>.

When the Group was established, its activity was planned until the end of 2011.

With the end of the development phase of FP7 in sight the Group can now finalise its recommendations. In order to keep a focus on a simplified implementation of the FP the Group suggests that it may resume its monitoring work when the implementation phase of Horizon 2020 – EU Research and Innovation Programme commences.

## II. Overview of the works conducted by the Group, including the first sets of recommendations formulated

The detailed description of works conducted under the Belgian and Hungarian Presidencies together with the first sets of recommendations formulated were presented in two intermediary reports prepared by the Group: dated 21 December 2010 and 31 May 2011<sup>13</sup> (submitted to the Competitiveness Council) – both reports attached.

Under all three Presidencies (Belgian, Hungarian and Polish) the Group has had regular meetings - also with other important actors, in particular the Commission representatives from the DGs involved (DG Research and Innovation, DG Budget, DG Human Resources), the European Parliament and the Council. A number of meetings with Ms Maria da Graça Carvalho, the EP rapporteur on simplification, as well as with Ms Ingeborg Graessle, the EP rapporteur on Financial Regulation revision, was organised – the last ones under the Polish Presidency. The aim of those meetings was to discuss the most crucial simplification questions and challenges, identify major obstacles and propose solutions. The works were based on problems identified earlier, presented also in the documents listed above (see chapter I.A), recommendations listed in the first intermediary report of the Group, including issues related to the Financial Regulation and Implementing Rules revisions.

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<sup>12</sup> Non-paper “First Intermediary Report on Monitoring Simplification of Rules and Procedures in European Research and Innovation Programmes”, 21 December 2010

<sup>13</sup> Non-paper “Second Intermediary Report on Monitoring Simplification of Rules and Procedures in European Research and Innovation Programmes”, 31 May 2011

Under the Polish Presidency the work focused on a number of issues, starting from general ones like having a set of simple, easy applicable, streamlined and harmonised rules across all programmes, where research and innovation are financed, which would really serve participants of programmes and projects, to the issues of trusting research and researchers, the Tolerable Risk of Error (TRE) in the context of auditing policy, Time-To-Grant (TTG), Time-To-Pay (TTP), project officers' (PO) liability for errors, time recording, interest-bearing bank accounts, clearance of pre-financing, financial viability checks, the question of VAT eligibility and others. The Group also monitored the implementation of the Commission decision of 24 January 2011 on three simplification measures as well as other measures.

### III. Final recommendations formulated by the Group under the Polish Presidency

On the basis of the work conducted for more than a year, the Group wishes to formulate the following recommendations, listed below.

#### A. General view and recommendations

First of all, the Group wishes to express its appreciation to the Commission for their constant efforts to simplify the rules and facilitate application and participation. However, the Group notes that there is still much room for further improvements and the Council and the European Parliament have a significant role to play in this respect.

The Group strongly believes that there is still a general need to better understand the nature of research and innovation and to recognise that research requires more trust than many other policy areas. Even though all research experiments bring valuable results, not all can bring breakthrough results and not every researcher is bound to become a Nobel Prize winner. Thus it is necessary to accept the fact that risk is naturally strongly linked to research.

To make the Innovation Union a reality we need to invest wisely in research and to create favourable conditions for it to blossom. A truly participant friendly and simple project application and implementation framework is therefore necessary. There is also a need for user-friendly technical facilities (IT tools) and highly qualified, well trained staff to serve the programmes and projects.

The Group looks forward to the future research and innovation programmes and their holistic approach towards a simpler and more competitive research and innovation funding landscape. In this context the Group highlights that in order to make sure that the right simplification measures are and will be identified and introduced, it is necessary regularly to listen carefully to its beneficiaries, potential beneficiaries as well as to those who do not want to participate in EU research and innovation programmes and projects due to their excessive complexity. It is particularly the case of smaller organisations – SME's, high tech start-ups, small research centres – which have difficulties to cope with so complicated rules and procedures.

1. The Group is convinced that principles, rules and procedures applied to research and innovation should be streamlined and harmonised across all EU-funded programmes (irrespective of the source of public funding). It should not matter to a participant if a research or innovation project is financed from FP7, CIP, Structural Funds or – in the future – any of their successors. The rules and procedures developed within the EU framework programme for research should serve as a basis for funding research from other EU sources.
2. Stability of the legal framework is a must. Changes during the implementation of the programmes can be made only when absolutely necessary and fully justified, and provided that they will lead to further simplification for beneficiaries.  
The current and future programmes should be based on clarity, stability and transparency. Stable, harmonised rules, procedures and approaches should be applied throughout the whole cycle of programmes and projects – starting from application for funding, through their implementation, until final clearance and their approval by relevant services.
3. In this context uniform understanding, interpretation and application of rules and procedures by all stakeholders and services involved (independently if they are executed by the Commission or an executive agency, or which DG or unit is involved in the application of the rules) is a key factor. A system of adequate training and a consistent information flow within the Commission/Executive Agencies services require further improvements in order to help Project Officers to avoid errors and incoherent interpretation and application of rules. In addition, as far as possible, a system of maintaining one single Commission/Executive Agency contact point (project officer), delivering support throughout the lifetime of the project should be introduced, improving the stability provided to stakeholders.



4. The Group maintains its opinion that implementation of the Innovation Union should not lead to a more complicated R&I landscape but - on the contrary - to more effective coordination of programmes, rules and procedures as well as streamlining and simplifying of instruments.
5. For the reasons explained above the Group encourages relevant stakeholders to consider a wider introduction of a trust-oriented approach, while respecting sound financial principles.

## B. Detailed comments and recommendations

The Group welcomed the decision of the Commission of 24 January 2011 on three measures for simplifying the implementation of FP7, related to the acceptance of average personnel cost methodologies, flat-rate financing of SME owners and other natural persons not receiving a salary and the establishment of the Research Clearing Committee and now – on the basis of information received from the Commission - welcomes the progress made in its implementation. The Group believes that it is one significant step towards simplification, which will be followed by other actions, like the three pillars of simplification (abolishment of the interest-bearing bank accounts from 2012, a wider use of lump sums and a wider acceptance of national accounting principles), plans to introduce inducement prizes and a tendency to reduce time-to-grant.

1. The Group looks forward to seeing the simplification effect of the proposed inducement prize pilot scheme.
2. The Group highlights that the wider acceptance of accounting practices of beneficiaries, compliant with national general accounting principles, is still an issue which requires further consideration and improvements.
3. Existing excessive control mechanisms should be lightened to the level which would not be as burdensome as it is now.
4. The Group finds the current TRE level is on balance not conducive for research and innovation projects. The Group calls for further analysis of the issue in order to find a solution which will not only be acceptable for relevant authorities but also acknowledge the nature of research. The Group finds the Commission proposal of TRE fixed in the yellow zone of 2% to 5% to be a reasonable basis for a compromise solution and maintains its opinion that the issue of TRE and ex-post audit has to be explored not only from the perspective of a cost-benefit balance of audits, but also as a factor discouraging possible beneficiaries from participating in research programmes.



5. The Group highlights that extended optional use of lump sums should be considered and the benefits of such options should be fully exploited. The Group recommends the wider use of “negotiated” lump sums, fixed with involvement of the beneficiaries in order to ensure that the lump sums are as close to real and actual costs as possible.
6. Ways to further reduce TTG and TTP should be explored, bearing in mind the need to use all available resources in the most efficient and effective manner. In particular TTG should not be reduced only on the side of participants and should not compromise the accuracy of the negotiations. Internal analyses of the reasons for big differences in TTG and TTP among various services and units should be conducted and relevant improvements should be made on the basis of the conclusions drawn.
7. With reference to the current revision of the Financial Regulation the Group would like to draw attention of relevant authorities to the proposal from COREPER (document 9626/11 ADD 1 FIN 286 CODEC 730, dated 5 May 2011) to clear the pre-financing payments in intervals of at least half a year, which - if adopted by the Council and the European Parliament - would be much more strict than the current rules and would put unnecessary and – the Group believes – unjustified burden on beneficiaries and the Commission services with more transactions to deal with, leading to a longer TTP which would be contrary to the goal to reducing it. For this reason the Group calls for careful consideration of the consequences of such proposal to be carried out in order to adopt a provision which is in line with the simplification process.
8. Implementation of two-stage application procedures, where appropriate (particularly in case where the expected oversubscription is high and provided that it is not at the expense of much longer time to contract) and the size of consortia should be dealt with in work programmes, adopted by the Commission in agreement with Members States, represented in the programme committees. Relevant information should be available to applicants in call documents.
9. The Group appreciates the constant progress in availability and functionality of IT-based tools and services supporting applicants and participants in research projects, however it notes that further improvements are necessary. The Group calls for further efforts to make the tools and services more transparent and more user-friendly with the future aim to have a unified, single-entry system. The same tool should be used across all Commission services and Agencies involved.
10. The Group also encourages the Commission to pursue examining if, inter alia, value added tax (where non-deductible) can be considered as an eligible cost item. At the same time the Group appreciates the Commission’s current efforts to propose a rule that would be reasonable and coherent for all funding programmes.
11. There are increasing reports from private enterprises, in particular from SME’s, that the complexity of the rules is discouraging them from participating in the FP. The Group calls on the Commission to take measures to reverse this trend.

#### IV. Additional proposal from the Group

The Group encourages the Competitiveness Council to ensure that the report will be distributed to other stakeholders involved, including those in charge of other research and innovation funding programmes as well as the budget and finance authorities (especially ECOFIN Council) to increase their awareness of what challenges European research and innovation face and what is necessary to facilitate making the European Research Area and Innovation Union a reality.

#### **On behalf of:**

##### **For Poland:**

**Barbara Kudrycka**, Minister of Science and Higher Education, President of the Competitiveness Council (Research part)

##### **For Hungary:**

**Cséfalvai Zoltán**, Minister of State for Parliamentary and Strategic Affairs

##### **For Belgium:**

**Jean-Marc Nollet**, Vice-President of the Governments of the French-speaking Community of Belgium and Wallonia, in charge of research

##### **For Denmark:**

**Morten Østergaard**, Minister for Science, Innovation and Higher Education

##### **For France:**

**Laurent WAUQUIEZ**, Minister for Higher Education and Research

##### **For Spain:**

**Cristina Garmendia Mendizábal**, Minister for Science and Innovation

##### **For Sweden:**

**Peter Honeth**, State Secretary, Ministry of Education and Research