

## **Horizon 2020: Research Organisations Need Reimbursement of Real Indirect Costs**

**EARTO has already drawn attention<sup>1</sup> to the proposed Horizon 2020 (H2020) 100%/20% cost-reimbursement model for research which, if unchanged, will:**

- **result in significantly lower RTO participation in Horizon 2020,**
- **have negative effects on industry participation (see below), and**
- **deprive the new programme of RTOs' extensive experience and competence in innovation-chain networking and complex-project co-ordination**

**This is an appropriate moment at which to re-iterate and reinforce RTOs' concerns, as the European Parliament H2020 Rapporteurs finalise their recommendations and the European Council Research Working Party begins discussions on the H2020 Rules for Participation.**

**The European University Association – representing 30 national university associations and 850 individual universities – in a statement released on May 10<sup>th</sup> confirmed its opposition to the proposed funding model: it favours the reimbursement of real indirect costs.**

**BUSINESSEUROPE – representing 41 central industrial and employers' federations from 35 countries – in a position paper released on February 20<sup>th</sup> states that the flat rate for indirect costs should not be mandatory.**

A survey of EARTO members in December 2011, including most of the major European RTOs, found that:

- **most RTOs expect an effective research funding rate in Horizon 2020 of 50%-65%, compared with the 75% funding rate in FP7, and that in consequence**
- **about half would expect their participation in the new programme to drop by some 20% compared with FP7, the other half foreseeing an even greater decline of up to 50%.**

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<sup>1</sup> [EARTO Press Statement of 8<sup>th</sup> December 2011](#)

In the meantime, the European Commission has produced a “non-paper” which seeks to justify the proposed funding model by demonstrating – on the basis of a sample of FP7 projects – that it does not significantly disadvantage either research organisations or higher education institutions. The proffered analysis is, unfortunately, fundamentally flawed, because it estimates only average effects per category. It fails to recognise that major individual FP participants – research organisations and universities – with high investments in facilities and equipment, and hence high overhead costs, will suffer a significant negative impact, which however is obscured by the averaging effect.

An EARTO analysis of the Commission’s FP7 contracts database shows that the 20 research organisations which are most active in the FP7 Cooperation Programme have received more than 38% of the total funding awarded to research organisations (Annex I). EARTO has surveyed these 20 research organisations: 16 have declared a position on the proposed H2020 100%/20% funding model and of those 16, just 3 do not oppose the Commission’s proposal (it appears that all four do not have an accounting system geared to identifying indirect costs). The other 13 reject it in one or more aspects, and the great majority specifically ask for an option to be able to declare real indirect costs (Annex II).

A further analysis of the Commission’s FP7 contracts database (Cooperation Programme) shows that when major RTOs participate in FP7 projects, industry participation markedly increases. The corollary is that if RTO participation in H2020 declines as a consequence of an unfavourable cost-reimbursement regime, industry participation is likely to decline in parallel (Annex III).

EARTO therefore concludes that the proposed H2020 100%/20% cost-reimbursement model for research will, if unchanged:

- result in significantly lower RTO participation compared with FP7,
- have negative effects on industry participation, and will
- deprive the new programme of RTOs’ extensive experience and competence in innovation-chain networking and complex-project co-ordination

**EARTO’s proposal, therefore, is that non-profit research organisations should have an option to claim reimbursement of real indirect costs.**

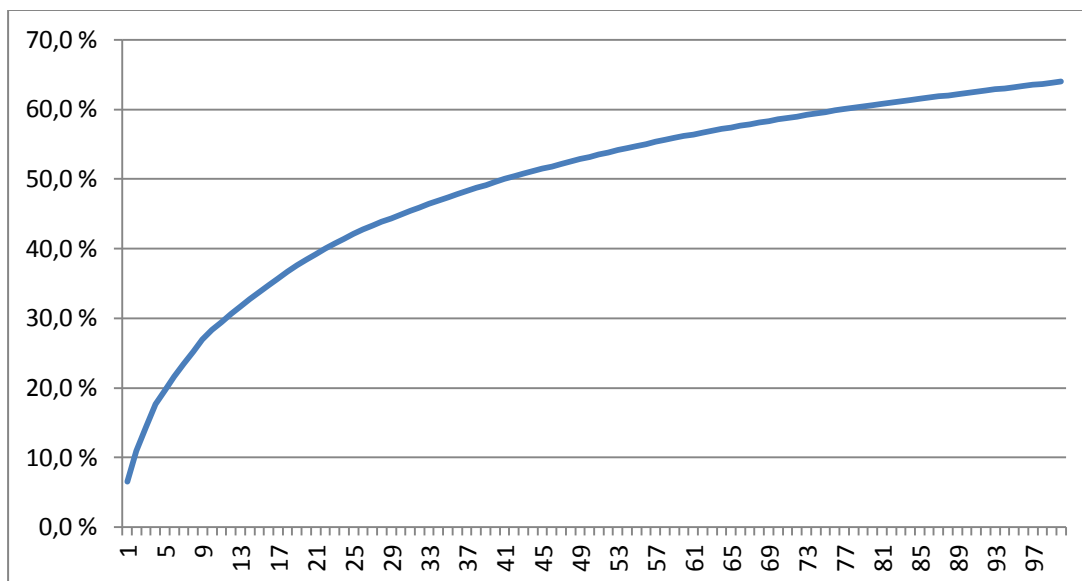
**EARTO is encouraged by reports that in the Council Research Working Party meeting on April 30<sup>th</sup>, many EU Member States declared themselves in favour of such a modification.**

## Annex I

### A Small Number of Major Research Players Accounts for a Large Share of FP7 Funding to Research Organisations

The data employed in the following analysis are from the European Commission's FP7 contracts database. They demonstrate the hugely skewed nature of the distribution of research funding among research organisations, which has the consequence that an analysis of averages obscures the major impact on individual research organisations.

#### Total Cumulated Value of EU Contributions to Research Organisations in FP7 - Data from FP7 Contracts Database: 16<sup>th</sup> February 2012



2,818 research organisations have received FP7 funding, but the distribution of that funding is highly skewed:

- the top 10 participants (0.35% of all funded research organisations) - with a total of 4,504 project participations - received 28.3% of the total funding to research organisations
- the top 20 participants (0.71%) – with 5,965 participations – received 38.4% of the total funding to research organisations

In view of this highly skewed distribution, it is critical to understand how the proposed Horizon 2020 cost reimbursement model will individually affect the leading players. The information on the following page gives an indication.

## Annex II

### **H2020 Funding Model and Positions of Top 20 Research Organisations (according to FP7 Contracts Database: 16<sup>th</sup> February 2012)**

Below are listed, in order of importance (funding received) the top 20 research organisations participating in FP7.

- Three, marked in **blue**, have not (yet) declared a position on the proposed funding model.
- The JRC, as a Directorate-General of the Commission, can be expected to support the proposed funding model.

Of the remaining 15:

- Thirteen, marked in **yellow**, reject the currently proposed 100/20 funding model or request additional modification – most want, inter alia, the possibility to declare real indirect costs
- Three, marked in **green**, are not opposed to the 100/20 funding model (it would appear that three do not have an accounting system geared to identifying their indirect costs).

**CNRS**

**Fraunhofer**

**MPG**

**CEA**

**CNR**

**INSERM**

**CSIC**

**VTT**

**DLR**

**TNO**

**SINTEF**

**EMBL**

**CERN**

**INRIA**

**INRA**

**JRC**

**IMEC**

**STICHTING DIENST LANDBOUWKUNDIG ONDERZOEK**

**TECNALIA**

**EUROPEAN SPACE AGENCY**

## Annex III

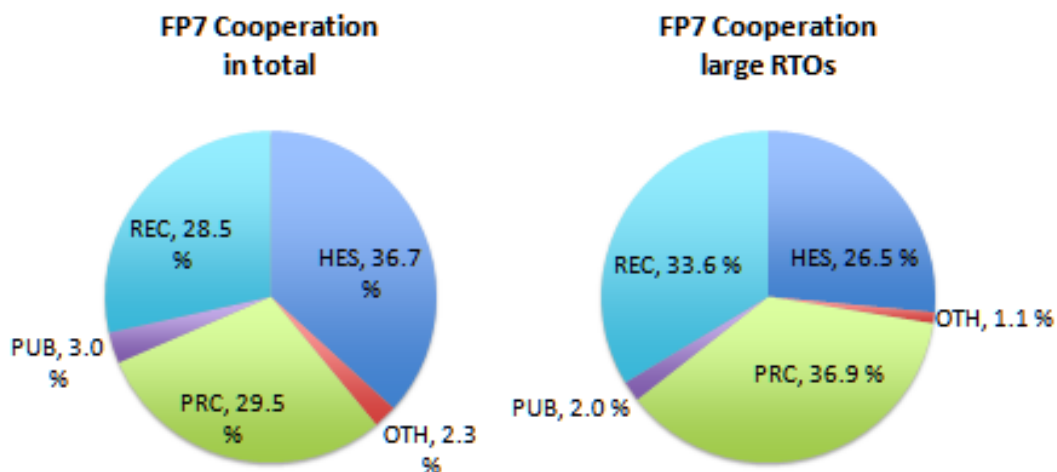
### RTOs Bring Industry into FP7 Cooperation Programme Projects

The graphic below shows (left) the overall distribution of funding between participant categories in all FP7 Cooperation Programme projects compared with (right) the percentage distribution when large RTOs are present: industry's share of total funding rises from 29.5% to 36.9%.

The following graphics repeat the analysis for several individual major RTOs. NB: all of the individual RTOs portrayed here reject the H2020 cost-reimbursement model and all call for an option to declare real indirect costs.



### All FP7 Cooperation Projects vs Projects with Large RTOS

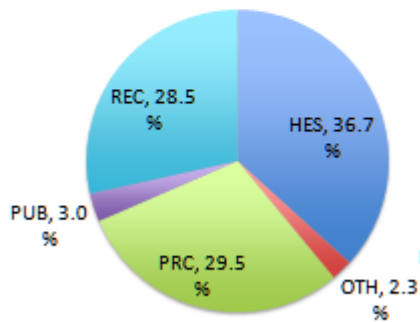


HES: Higher or Secondary Education  
 PRC: Private for Profit (excluding Education)  
 PUB: Public body (excluding Research and Education)  
 REC: Research Organisations

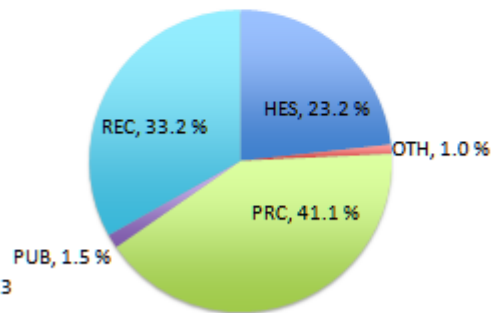


**Fraunhofer**

**FP7 Cooperation**

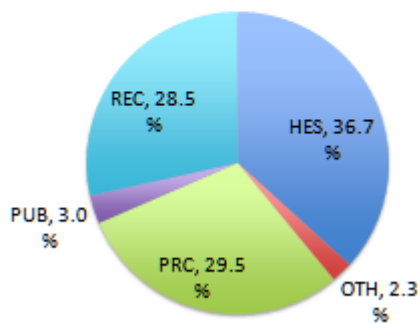


**FP7 Cooperation Fraunhofer**

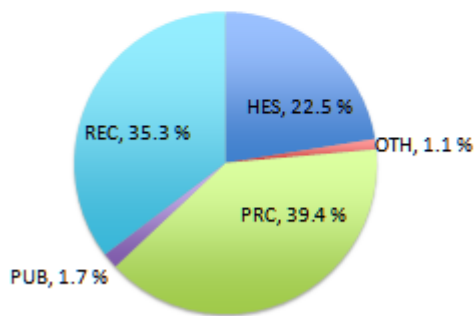


**VTT**

**FP7 Cooperation**



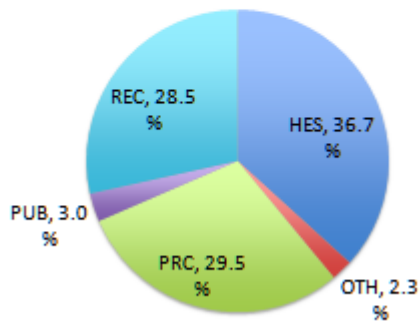
**FP7 Cooperation VTT**



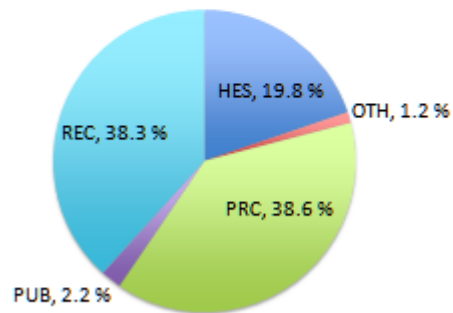


**TNO**

**FP7 Cooperation**

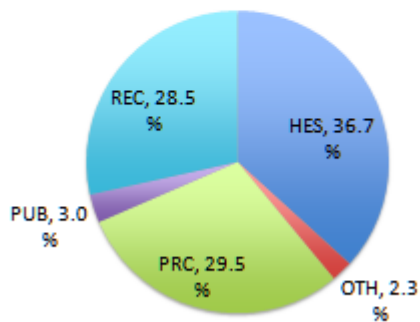


**FP7 Cooperation TNO**

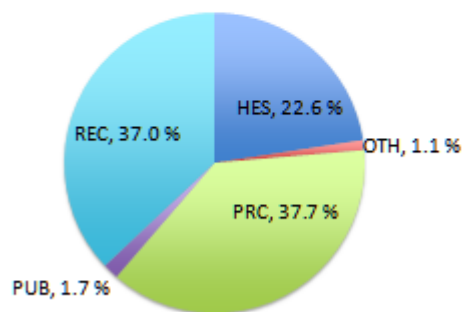


**SINTEF**

**FP7 Cooperation**

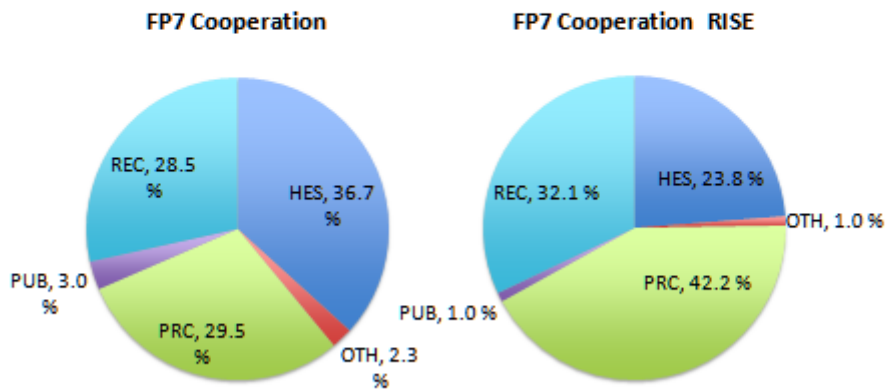


**FP7 Cooperation SINTEF**

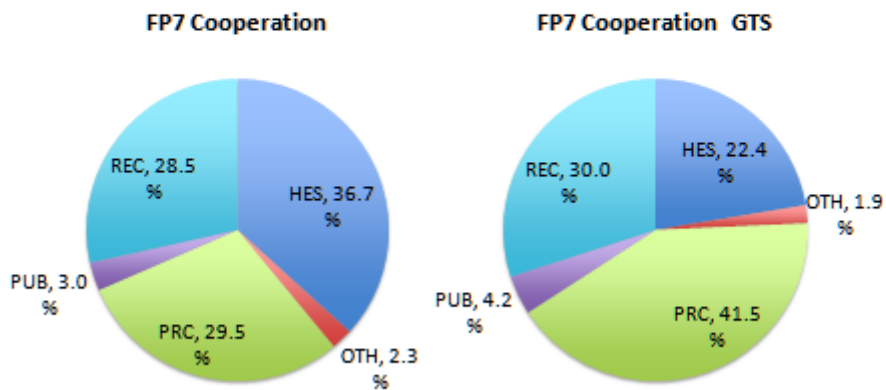




**RISE - Swedish "Industrial Institutes"  
incl. SP**



**Danish "GTS Institutes"  
incl. DTI**

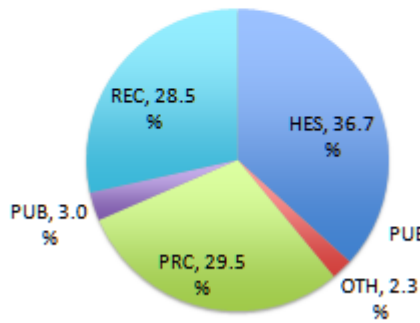






**Tecnalia**

**FP7 Cooperation**



**FP7 Cooperation Tecnalia**

