

EARTO Recommendations regarding the Evaluation & Pre-contractual Negotiations of Lump-sums EU Funded RD&I Projects

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EARTO members are very active participants in the EU RD&I Frameworks Programmes (FPs), especially in complex and large collaborative applied RD&I projects. In this context, [EARTO Feedback on EARTO Members' Experiences with Lump-Sums Projects within Horizon Europe](#) addressed wider issues related to lump-sums funding within Horizon Europe. With the recent announcements and discussions pointing to the possible extension of the use of this funding principle, EARTO members wish to alert the EU Institutions on worrying trends and signals regarding the evaluation and pre-contractual negotiations of lump-sums EU-funded RD&I projects. Indeed, with many newly selected projects using the lump-sums funding scheme under Horizon Europe, EARTO members have now proper feedback on their granting process and the issues that are rising.

Horizon Dashboard on Personnel Costs for Lump-sums Projects' Evaluations

EARTO already made various feedback on this new [dashboard](#): see our [latest paper](#). After being updated in June 2023, with an increase of around 20% to monthly personnel costs for Research Organisations, this dashboard still gives a flawed picture of the reality of personnel costs today and in the near future. The dashboard does not inform the evaluators of recent trends of increasing costs and hypothesises to evaluate forecasted costs (e.g. trends on inflation, automatic inflation correction in some Member States, etc.). Even considering the latest update, half of the EARTO members are still above the 80th percentile in the dashboard: this is synonymous with an alert given to evaluators which brings issues.

Personnel Costs' Calculation in RTOs

Before going into the further issues with the dashboard, we wish to note that:

- Our members all have time-tested expertise in calculating personnel costs in line with the FPs' eligibility rules: with an expertise rising from their large participation in the FPs since the early days.
- Our members wish to maintain a fair coverage of their personnel costs, a requirement for them to keep engaging in EU projects within fair and realistic conditions.
- Thanks to the public mission of RTOs, EARTO members' personnel costs are very often established in collaboration with and audited/approved by their respective Member States' funding authorities.

Personnel Costs Cuts & No Negotiation Policy being Installed

Several EARTO members flagged by the dashboard to evaluators as 'expensive', to be understood as being above the 80th percentile in the dashboard have now experienced budget cuts to their personnel costs. EARTO members also have been involved in contractual negotiations in which several participants of the consortium received budget cuts following a positive evaluation. The following examples show how evaluators are using the dashboard and how irremediable the budget cut may become during the Grant Agreement preparation phase.

Examples of such undesirable effects of the dashboard are as follows:

- **No negotiation and budget cuts:** In the same project, 7 partners received personnel budget cuts due to costs budgeted above the 80th percentile respectively, as reported by the evaluators in the Evaluation Summary Report. Some of the participants accepted the cuts while others sent a justification. Some of these justifications were not accepted.
- **Example of budget cuts' requests:** In one project proposal, members were clearly asked to reduce their costs as such:
 - *'for a senior scientist 9157,68 Euro and for a junior scientist 7,522.40 Euro is requested. According to the Horizon Dashboard, should be decreased to 7,500 Euro for a senior scientist and 5,500 Euro for a junior scientist'.*
 - *"Please provide a JUSTIFICATION to rectify your higher personnel rates (direct costs) compared to the Horizon Dashboard towards the Commission".*
 - *"In comparison with personnel costs previously accepted in the R&I programmes, the personnel costs of partners xx [...] are excessive, even taking into account inflation. The proposal did not justify why these rates are needed to implement the action. Therefore, it is recommended that*

the personnel costs of partners BExx [...] for senior scientists should be reduced by 30%, unless the applicants explain sufficiently why these rates are needed”.

Even if the European Commission has made clear to evaluators that budget cuts should not be required based on personnel cost analysis, beneficiaries still must submit explanations and justifications after the proposition acceptance, but only if those costs are well above dashboard figures.

Looking at those examples, the dashboard should either become a more reliable source of information or be a tool for general reference only allowing for proper negotiation with the Project Officer during the preparation of the granting phase which would give further flexibility to verify if cuts are justified or not. Now cuts are arbitrary according to a dashboard which is not a reliable source of comparison and adds a new pricing element to the evaluation as an untold criterium.

In addition, the dashboard should only be used to assess the credibility of personnel costs submitted, not to put into question their calculation or appropriateness. In general, it should therefore remain an orientational tool rather than being used as a decision-making tool cutting any grant negotiation.

Personnel Costs Pricing: a New Issue in Consortia’s Making

Furthermore, the results of partners in the lump-sums dashboard are now also used during negotiations between consortium members. If this trend is continued, it will bring, in the end, the same pricing issues in EU RD&I-funded projects as done in EU tenders: cheaper wins. This is the wrong message to give to EU Researchers and their employers while in parallel the EU is trying to level up the careers and salaries of researchers in Europe via its [ERA Action on research careers](#). This is a very contra-productive tool that will bring the level down and will encourage organisations to keep ‘cheap’ labour to access EU funds. EU RD&I funded lump-sums projects should not entail a cost-cutting approach that would put beneficiaries at odds with the excellence of research.

Conclusion

There is a clear disconnect between the European Commission’s communication and guidance issued to evaluators and the reality of budget reductions and consortium-making negotiations taking place already on EU projects’ proposals based on this dashboard. To be able to insert valorisations in budgeting personnel costs, the data in the dashboard must not be based on values from actual cost grants that are more than one year old. Otherwise, the personnel costs will be levelled down in Europe if longer observation periods are used and some participants will always end up above the 80th percentile with the issues it brings today. In addition, more transparency on the calculation methods and the updating strategy of the dashboard would be welcomed by beneficiaries.

EARTO once again recommends a better information for evaluators regarding the lump-sums dashboard, which should not be a hard tool for measurement or a pretext to bring budget cuts targeted at beneficiaries with duly justified costs. The development of lump-sums should only drive simplification and not compromise fair compensation or the quality of scientific and technical work. Even if the European Commission must be cautious, the disappearance of reimbursement of costs should not come with a severe underfinancing of projects (like it happened for EU tenders over the years).

Moreover, as the ECA has indicated in its [2022 Annual reports](#), some uncertainty also remains regarding the audits to be launched by the European Commission on lump-sums projects. As audits are still a real possibility for those grants, we also look forward to obtaining precise guidance through the upcoming Indicative Audit Programme.

EARTO remains ready to provide additional input: our WG Financial experts are available for further discussion with EU institutions to ensure the successful implementation of lump-sums in Horizon Europe.

EARTO - European Association of Research and Technology Organisations

Founded in 1999, EARTO promotes RTOs and represents their interest in Europe. EARTO network counts over 350 RTOs in more than 31 countries. EARTO members represent 150,000 highly-skilled researchers and engineers managing a wide range of innovation infrastructures.

RTOs - Research and Technology Organisations

From the lab to your everyday life. RTOs innovate to improve your health and well-being, your safety and security, your mobility and connectivity. RTOs’ technologies cover all scientific fields. Their work ranges from basic research to new products and services’ development. RTOs are non-profit organisations whose core mission is to produce, combine and bridge various types of knowledge, skills and infrastructures to deliver a range of research and development activities in collaboration with public and industrial partners of all sizes. These activities aim to result in technological and social innovations and system solutions that contribute to and mutually reinforce their economic, societal and policy impacts.

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