

EARTO Innovation School

**H2020 Simplification: Towards Horizon
Europe's Rules for Participation
What are the Challenges?**



7th May, Brussels

RTOs Solve Real-World Problems



Plan your predictive maintenance strategy with Big Data



Monitor your cows' health and location from your app



Make the green chemicals of the future out of wood and waste



Manage air traffic in the drone age

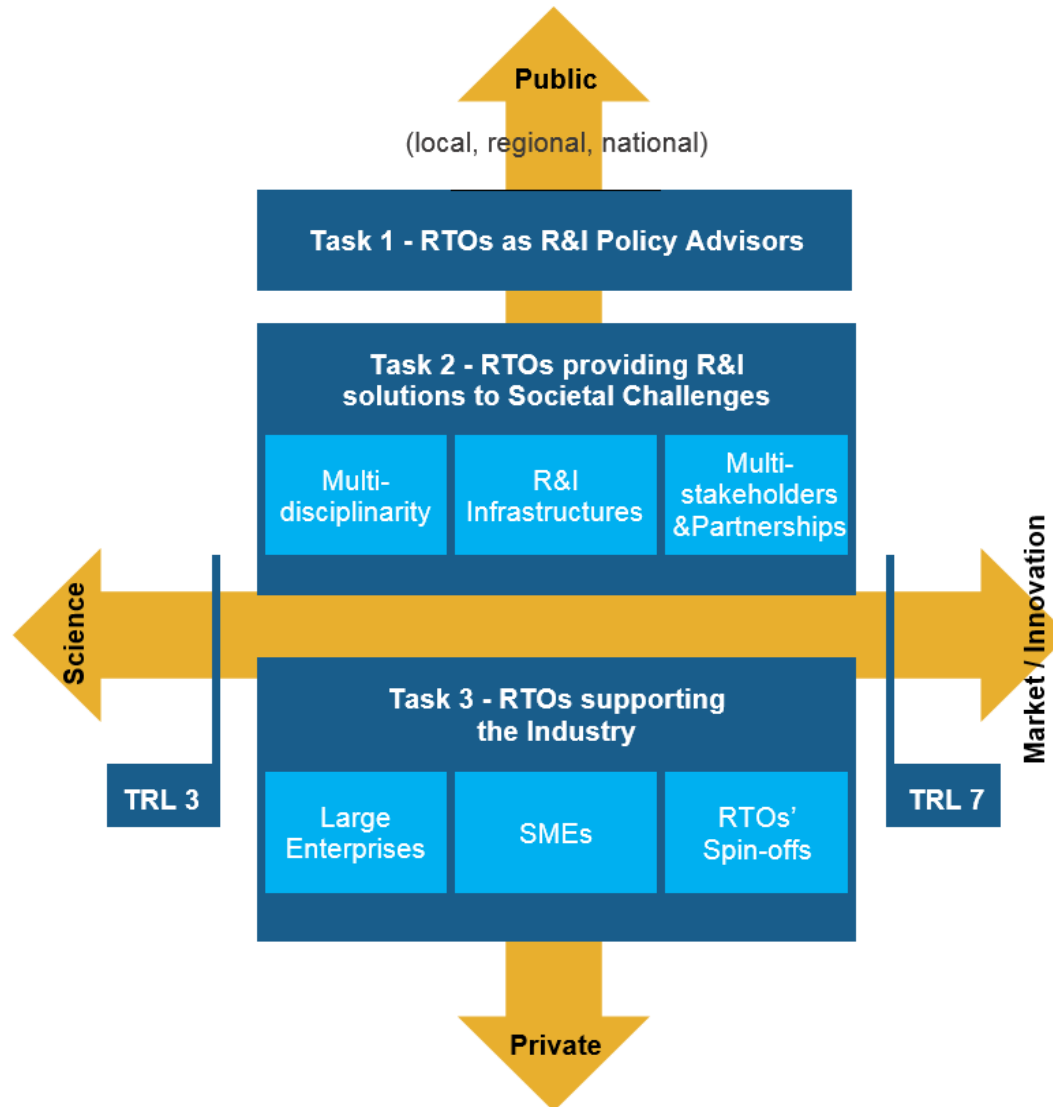


Eat delicious cakes with no added sugar



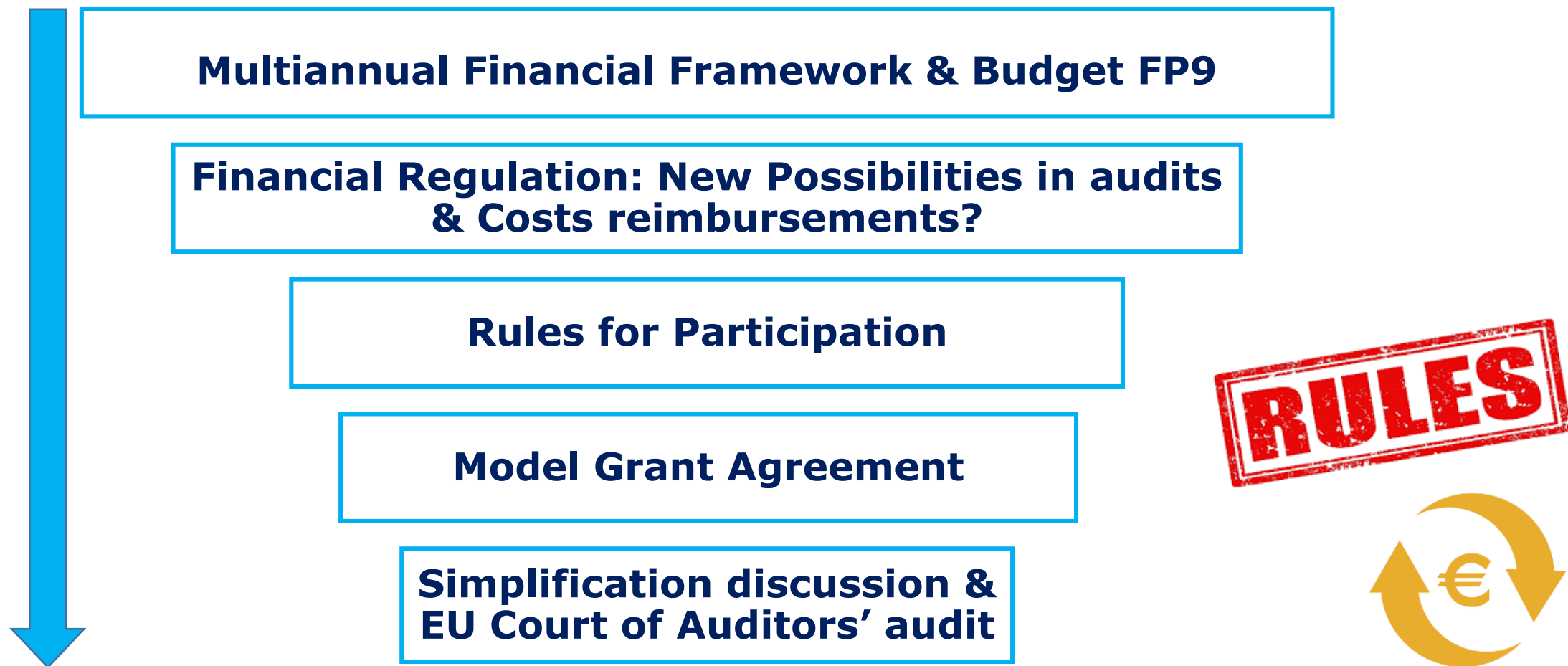
Tan leather without waste water by using CO₂

RTOs' Business Model



1. RTOs house various research **infrastructures & demonstration facilities** benefitting **many stakeholders: universities, new enterprises, SMEs, large enterprises**
2. RTOs **train and develop experts:** offering professional skills to EU industry

FP9 Financial Framework



Brussels, 7 May 2018

Simplification of EU research programmes

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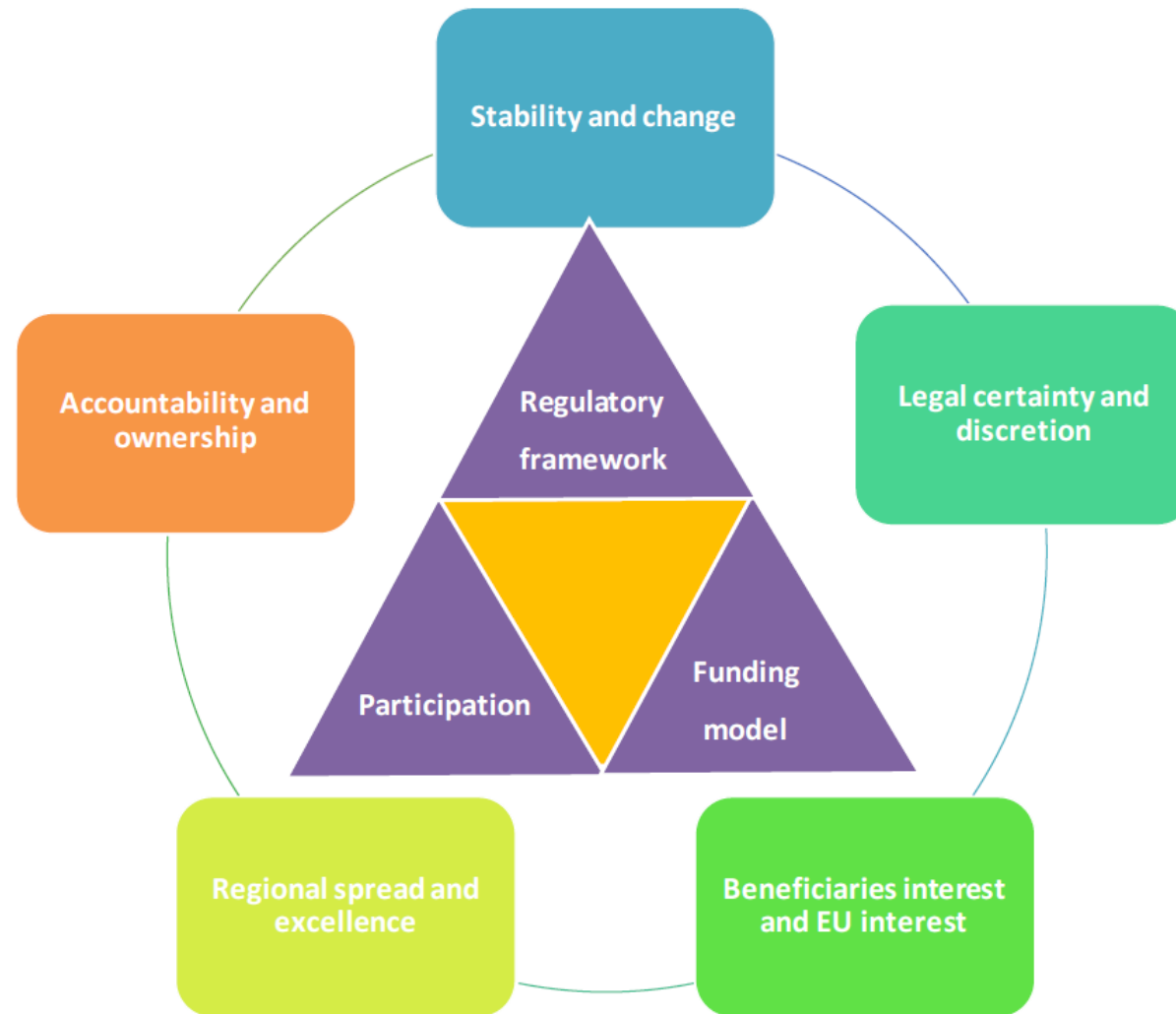
EUROPEAN
COURT
OF AUDITORS

A contribution to
simplification of EU
research programme
beyond Horizon 2020

Briefing Paper
March 2018



Dilemmas affecting simplification



5 proposals for simplification beyond Horizon 2020

- providing a reasonable timespan between adoption and implementation of legal acts;
- assessing the further use of simplified cost options, such as lump sums and prizes;
- explaining the use of guidelines as non-binding rules;
- accepting beneficiaries' accounting practices;
- recognising good project proposals under Horizon 2020 in other programmes via a one-stop-shop approach.



ASSOCIATION NATIONALE
RECHERCHE TECHNOLOGIE

H2020 Simplification, towards the next FP

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EARTO Feedback on H2020 Financial Simplification

Based on RTOs' First Reporting & Audit Experiences

Mirka Laasonen, VTT



**EARTO Feedback on
H2020 Financial
Simplification
based on RTOs' First
Reporting & Audit
Experiences**

16 March 2018

Rules & Eligible Costs

1. Improve the workability of the Annotated Model Grant Agreement (AMGA)

2. Simplify the calculation of direct costs:

- Simplify the calculation of personnel costs
- Travel cost: too time consuming compared to importance in the budget size
- Uncertainty and administrative burden of other direct costs

3. Clarify the benefits of having a certificate on the methodology for unit cost (CoMUC)

RULES

Rules & Eligible Costs

4. Procurement VS tendering: take into account the diversity of rules existing in the different EU countries

5. The rules for cascade funding and sub-granting need to be simplified

6. The cases in which a guarantee fund intervenes need to be clarified and standardised

RULES

Audit Process

- 1. Common Audit Service: alignment and coordination help avoid different interpretations of rules**
- 2. Improve the knowledge of external auditors regarding H2020 rules and their interpretation**
- 3. Audit burden: room for improvement to achieve real simplification**
- 4. The audit period is still stretching too long**



Audit Process

- 5. Audit visits should be better planned given their tight schedule**
- 6. Corrections and adjustments between reporting periods should be taken into account**
- 7. Interviews of project staff should be better planned to ensure the relevant staff is present**
- 8. The eventual need for interpreters should be checked with the beneficiary prior to the audit**



Services

- 1. Participants' portal: many improvements made, but still some room for further improvement**
- 2. Certificates of financial statements (CFS): requires a lot of complementary information which can delay payment**
- 3. Reporting system & templates: further harmonisation across the different instrument would constitute a considerable improvement**



EARTO Input: Towards Lump sums within Horizon Europe

Alexander Svejkovsky, AIT



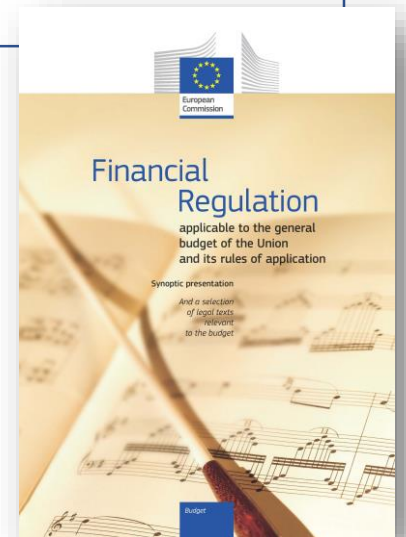
**EARTO Input: Towards
Lump sums within FP9**

15 September 2017

EU Financial Regulation Revision

Article 181:

2. Where possible and appropriate, lump sums, unit costs or flat rates shall be determined in such a way as to allow their payment upon achievement of concrete outputs and/or results.



Lump-Sum Approach

- **EC intentions:** Simplifying cost reporting and financial ex-post audits: payment exclusively based on completion of activity (independent of the results)
- **EC Vision:** No Financial ex-post Audits

You **need**



- ☐ Technical documents
- ☐ Publications, prototypes, deliverables
- ☐ Who did what?
- ☐ ...any document proving that the work was done as detailed in Annex 1

You **don't need**



- ☐ Time-sheets
- ☐ Pay-slips or contracts
- ☐ Depreciation policy
- ☐ Travel invoices
- ☐actual costs

SIMPLICITY
IS THE ULTIMATE FORM OF
SOPHISTICATION
— LEONARDO DA VINCI —

Lump Sums: Pilot-Calls

⇒ Lump-Sum Option 1:

- Digital 'plug and produce' online equipment platforms for manufacturing - IA-NMBP
- Fixed lump-sum per project of €7.5 million

⇒ Lump-Sum Option 2:

- New anti-infective agents for prevention or treatment of neglected infectious diseases - RIA-Health:
- Proposals provide a detailed estimation of Lump sum (between €5 and €10 million), and then experts assess cost details during evaluation & make recommendations



EARTO Paper on Lump-sums

⇒ **Importance to carry out pilot, which needs to be:**

- **Transparent** (incl. evaluation phase)
- **Representative** (incl. large collaborative projects)
- **Adjusted** (make sure that the pilot projects do not suffer from proven imperfections)

⇒ **Concerns for (large) collaborative Research projects:**

- Crucial role of a **trusted collaboration** between parties
- **Complexity** of transferring new technologies into application
- **Uncertainty** of the outcome of research project
- **Flexibility** needed to adapt the project plan during the project



**EARTO Input: Towards
Lump sums within FP9**

15 September 2017

Potential issues to be further assessed during pilot phase



**EARTO Input: Towards
Lump sums within FP9**

15 September 2017

Proposal & Evaluation

- ⇒ **Pricing distortion**: Evaluation should only be based on excellence, impact, and quality of the consortium to avoid competition on pricing.
- ⇒ **Proposal template**: Adaptations in the structure of the proposal will be needed (more work packages with less tasks, less partners over shorter periods of time).
- ⇒ **Evaluators**: Evaluators will have to be technical experts in the relevant research field and able to assess the estimation of costs.



Grant Preparation & Negotiations

- ⇒ **Grant preparation phase:** will become more complex and require more time and efforts (negotiations of the amount and schedule of payments, verification means, etc.)
- ⇒ **Time-to-grant** needs to be kept as short as possible.



Project Execution & Technical Monitoring

- ⇒ **Technical monitoring procedure**: A progress monitoring procedure (not directly coupled to the approval of work packages and deliverables) needs to be designed to optimise projects' performance.
- ⇒ **Flexibility**: The lump-sum approach needs to be flexible to adapt to the project's progress. Changes in work packages may be needed, asking for reallocation/ transfers of resources via a fast amendment process of maximum 3 months.



Financial Aspects

- ⇒ **Research results vs Payments**: Payment cannot be based on research results but on WP completion with clearly defined criteria.
- ⇒ **Proof of efforts**: The calculation of the lump-sum's reduction in case of non-approved WP will need to be based on clearly defined criteria.
- ⇒ **Pre-financing**: Conserving the possibility of pre-financing is crucial.
- ⇒ **Approval**: The project officer deciding on the WP approval needs to have the knowledge to follow the technical aspects of the project.
- ⇒ **Arbitrage Procedure**: A contradictory procedure and an arbitrage procedure need to be put in place in case of disagreement.



Consortium

- ⇒ **Heavier coordination**: The shift to a lump-sum approach would transfer part of the responsibility from the EC to the consortium. Extra effort will be expected from coordinators and work packages leaders in case of conflicts and of underperforming partners.
- ⇒ **Sub-contracting**: Need to have clear rules and guidelines in the case of sub-contracting.



Audits

⇒ **What will be the audit policy around this new funding approach?**

The true simplification should be that there will be no more financial audits from the EC services or other EU institutions like the European Court of Auditors.



Lump Sums Pilot - What Next?

- ⇒ **10 Pilot Projects to be funded in WP18-20**, expected to be signed in mid/end-2018, lasting for 3-4 years (2018-2022), overlapping FP9
- ⇒ **The results of such pilot will most probably be available only after the launch of FP9:** depending on first experience (proposal, evaluation, GAP, interim reporting period and payments), larger pilot calls could be carried out in FP9
- ⇒ **Importance of providing a more representative sample to test the lump sum out** on reputedly complex projects with numerous and various types of partners as well as with significant budget



EARTO Recommendations for Horizon Europe Rules for Participation: Funding Rules

Martin de Jong, TNO



**EARTO Recommendations
for FP9 Rules for
Participation:
Funding Rules**



16 March 2018

1. Funding rules need to further reflect beneficiaries' accounting practices and cost categories

⇒ RTOs already abide by the national accounting practices and are audited and controlled by their national/regional authorities



2. Improve the flat rate approach to better reflect the real costs of RTOs

⇒ RTOs appreciate the simplification in H2020 brought by the flat rate approach for indirect costs with the Large Infrastructures (LRI) and the internal invoicing schemes.

⇒ However, such flat rate approach does not reflect the real costs of RTOs, for instance for their infrastructures and would need further improvements:

1. Increase the flat rate covering indirect costs
2. Allow and simplify the claims of infrastructure costs
3. Allow for reasonable use of allocation keys in the calculation of direct costs



3. Carry out a thorough evaluation of the lump-sum approach prior to any expansion

4. Measures for ex-ante assurance and legal certainty need to be further improved



5. Reduce the audit burden to further simplify the Framework Programme

⇒ Simplify the FP Audit process

⇒ Ensure efficient cross reliance on audits, with an order of precedence in the audits performed



6. One single set of rules aligned on FP rules for every programme performed with EU funding

⇒ Co-funding mechanisms between FP and other programmes like ESIF and Interreg should also be enabled

RULES

EARTO and its Financial Experts are ready to further work with EC and ECA

Common objective: further simplify and improve the FPs by exploring together how to translate these recommendations into the new Rules for Participation and their implementation

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