

## **EARTO Inputs: Towards Lump-Sums within FP9**

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EARTO is a strong supporter of the European Commission (EC)'s efforts towards simplification of the EU R&I Framework Programmes (FPs). EARTO members being very active participants in the FPs, especially in collaborative projects, EARTO very much welcomes the EC continuous efforts towards simplification. The EC services are now looking at piloting a new approach to claim re-imburement for the work performed within the EU FPs projects based on lump-sums. EARTO hereby is happy to provide further inputs for this new EC efforts towards simplification. This paper summarises the questions raised by our Working Group Financial Experts while discussing the lump-sums approach.

### **Pilot Timing vs Implementation in Future FPs**

Before any new costs reimbursement system could be deemed a real simplification, it seems very wise to take the time to have a real piloting phase. The two-call pilot planned within Horizon 2020 Work Programme 2018-2020 will be key to determine whether lump-sum funding is the right instrument for further simplification of the FPs. The results of such pilot will most probably be available only after FP9 would have already started. Accordingly, the question of timing on when to start with this new approach vs the timing of the pilot should be treated with care. If the first conclusions drawn from the two lump-sum pilot calls planned in H2020 WP2018-20 are positive, the next step should be to extend the experiment to about 10 pilot calls during the first WP of FP9, 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.

### **Pilot Requirements**

EARTO experts very much value the EC plans of piloting such new approach before going any step further. Such pilot would need to be:

- Transparent, especially during the evaluation phase;
- Representative, including for instance large collaborative projects with all types of stakeholders involved (should this not be possible in the first two calls, it should be planned in a second piloting phase if the first results seem interesting enough to pursue).

On-going adjustments will need to be made based on the findings during the pilot to make sure that the pilot projects do not suffer from proven imperfections. EARTO members would very much welcome the opportunity to participate in such pilots. They appreciate the fact that those pilots will be run with open calls, allowing them to submit proposals with their partners to potentially test this new approach.

### **Concerns for Collaborative Research Projects**

Setting up a lump-sums approach for single beneficiary's programmes may prove easier than for collaborative projects, particularly for collaborative projects including many consortia partners (average EARTO members' consortia was of 12 partners in the first part of H2020). For the latter, there are potential issues that could arise along the project cycle that are worth looking at further while piloting such new approach.

The following aspects of the R&I work performed in the FPs should be understood and taken care of while testing a new lump-sums approach:

- The crucial importance of a trusted collaboration between parties,
- The complexity of transferring new technologies into applications,
- The uncertainty of the outcome of a research project,
- The flexibility needed to adapt the project plan during the project based on the research outcomes to be able to move forward.

The following table summarises some of the issues raised by EARTO Financial Experts and could be further looked at by the EC services while improving the draft Model Grant Agreement and attached templates.

Phase	Issues to be looked at
<b>Proposal &amp; Evaluation</b>	<p><b>Pricing Distortion</b> The shift to lump-sums could create a competition on pricing and distort the level playing field on different levels. The evaluation should only be based on excellence, impact, and quality of the consortium. Measures are needed to prevent an eventual competition based on undercutting the lump-sum fixed by the EC, and therefore avoid:</p> <ul style="list-style-type: none"> <li>• Unfair competition between countries, depending on researchers' hourly rates;</li> <li>• Unfair competition between R&amp;I organisations, depending on internal funding models: organisations financed with high amount of public funding could cross-subsidise with basic funding.</li> </ul> <p><b>Proposal Template</b> To make the lump sum grant approach a success, changes in the structure of the proposal will be needed with a new proposal template as well as a new evaluation procedure (especially viewing the above concerns). Indeed, the nature of the work packages might need adaptation: more work packages with less tasks, less partners over shorter periods of time. However, such changes will not tackle the problems that may arise of work packages dependent of each other. Indeed, the running of a work package often depends on the results of another. This difficulty will need to be looked at from the monitoring perspective as well.</p> <p><b>Evaluators</b> The lump-sums approach increases the complexity of evaluation and evaluators risk to be placed in a difficult position. Evaluators will have to be technical experts in the relevant research field as well as be able to assess the estimation of costs and make sure that adequate resources are attributed to a project. Both financial and technical expertise will be required to assess proposals.</p>
<b>Grant Preparation &amp; Negotiations</b>	<p>The grant preparation phase will become more complex and require more time and efforts: negotiations of the amount and schedule of payments, verification means, etc. The EC should provide precise guidelines on how the negotiation process will go in the grant preparation phase to keep the time-to-grant as short as possible.</p>
<b>Project Execution &amp; Technical Monitoring</b>	<p><b>Technical Monitoring Procedure</b> The procedure as described in the MGA is strongly focused on the administrative process: a new monitoring process also needs to be introduced. Closer and more timely interaction between the coordinator, project officer and technical reviewers will be needed to adapt the project when necessary. A progress monitoring procedure, which is not directly coupled to the approval of work packages and deliverables, needs to be designed to optimise performance of the projects.</p> <p><b>Flexibility</b> The lump-sum approach needs to be flexible to adapt to the project's progress and to needed adaptations along the project's life. For example, changes in work packages may be needed, asking for reallocation/transfers of resources depending on the new technical requirements. Such lump-sums' transfers should be made possible following an agreement within the triangle of project officer, coordinator and other beneficiaries via a fast amendment process of maximum 3 months.</p>
<b>Financial Aspects</b>	<p><b>Research Results vs Payments</b> Given the intrinsic uncertainty of R&amp;I, payment cannot be based on research results as these are unpredictable by nature. Payment needs to be based on work packages' completion with clearly defined criteria against which it can be proven that the work packages' activities have been "fully completed". The calculation of the lump-sum's reduction in case of non-approved work packages will need to be based on clearly defined criteria.</p> <p><b>Proof of Efforts</b> Guidelines listing the information and nature of proof that may be requested to compute such reductions would be welcome. The EC should publish precise guidelines stipulating these criteria before starting the lump-sum pilot phase. It will be key to know what best proof of efforts will have to be made available in case of conflict within the consortium, as well as in case of technical audits and when a work package has only been partially completed.</p>

	<p><b>Pre-financing</b> Conserving the possibility of pre-financing is crucial to ensure participation in collaborative projects of all type of actors. In addition, some work packages may run over the total lifetime of a project, especially the coordination &amp; dissemination work packages. Partners active in those work packages will be negatively impacted in their financial position, due to delayed cash flow in lump-sum financing. This effect could be mitigated by providing interim payments during these work packages. The current pre-financing model, which is based on a period average (e.g. a project in 3 periods receives one third of the funding) is insufficient to cover this cash requirement. A higher single pre-financing would not solve the problem either. An upward revision of pre-financing would make the coordinator's job a great deal more complex and bring a risk of conflict in the consortium. Additional pressure will weigh on coordinators who will distribute pre-financing with the risk of non-acceptance of payments corresponding to non-completed work packages. One reasonable solution would be that the coordinator could request, at the end of each monitoring period, a second or even third pre-financing payment from the project officer. These additional pre-financing payments would depend on the project's general progress. Their refusal should be an exception rather than the rule.</p> <p><b>Approval</b> The project officer deciding on the approval of the work packages will need to have the knowledge to follow the technical aspects of the project, including when using officers from the external agencies.</p> <p><b>Arbitrage Procedure</b> A contradictory procedure and an arbitration procedure need to be put in place in case of disagreement.</p>
<b>Consortium</b>	<p><b>Heavier Coordination</b> The shift to a lump-sum approach would transfer part of the responsibility from the EC to the consortium and particularly towards the coordinator. Extra effort will be expected from coordinators and work packages leaders in case of conflicts and of underperforming partners. We point out the specific negative effect on the willingness of taking up the coordinator's role. This could be mitigated if the MGA contains additional clauses on conflict handling within the consortia when dividing the lump-sum between partners.</p> <p><b>Sub-contracting</b> There will be the need to have clear rules and guidelines in the case of sub-contracting.</p>
<b>Audits</b>	<p><b>What will be the audit policy around this new funding approach?</b> 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.</p>

We hope that this list of questions linked to piloting a new lump-sum approach will contribute to further thinking towards future FPs. EARTO and its experts are of course ready to further discuss these with the relevant EC services.

### **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 with public missions to support society. To do so, they closely cooperate with industries, large and small, as well as a wide array of public actors.*

### **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 20 countries. EARTO members represent 150.000 highly-skilled researchers and engineers managing a wide range of innovation infrastructures.*

**EARTO Working Group Financial Experts:** *composed of 35 Financial Controllers and Specialists working within our membership. Established in 2013, this Working Group is following the financial aspects of Horizon 2020 implementation, including the new Large Research Infrastructure scheme (LRI), audits, cost models, etc.*

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