

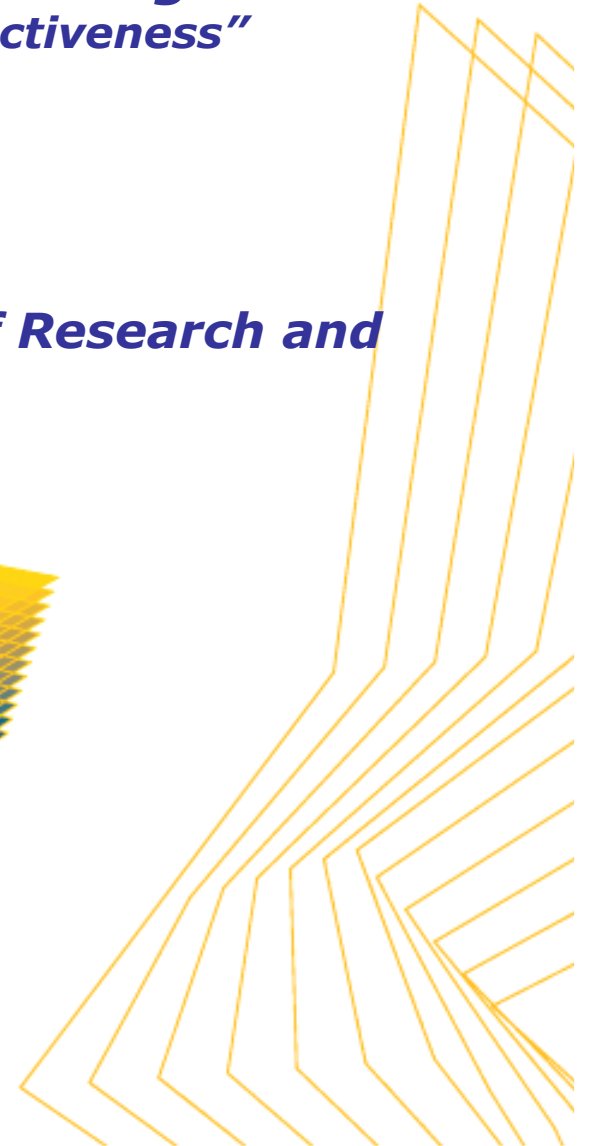
Presentation to ITRE Hearing

***“Implementing the Research Framework Programme
How to Reduce Red Tape and Increase Effectiveness”***

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Technology Organisations***

EARTO



Brief Words about EARTO and RTOs

EARTO represents 350 RTOs

- mission-oriented research organisations
- generally government owned, government sponsored, government sanctioned
- 150,000 employees, €15 billion annual turnover
- Some of our larger members: VTT, SINTEF, Swedish industrial institutes, Teknologisk, TNO, VITO, Fraunhofer, Technology Partners, Bay Zoltan, Instituts CARNOT, FEDIT Technological Centres...
- Major players in Framework programme
 - e.g. Fraunhofer 2nd largest single player in FP6: >500 project participations,
 - e.g. 5 largest RTOs above: >1,400 project participations, >€520 million EU funding



Promised Simplifications in FP7 - I

Guarantee Fund

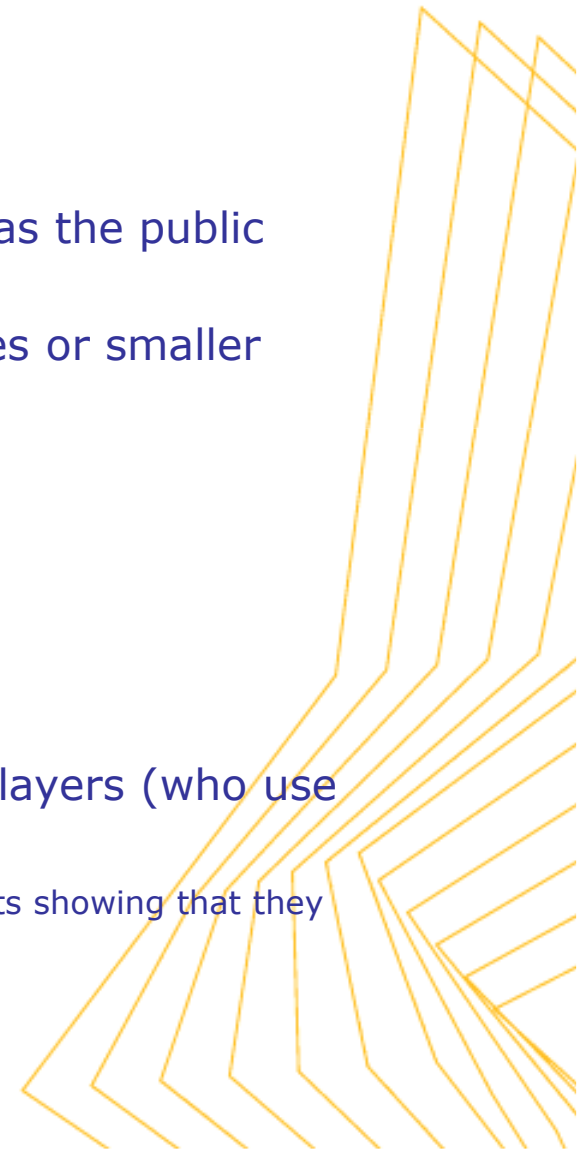
- Too early to say
- Original intention was to protect participants as much as the public purse
- Evidence suggests has not facilitated smaller companies or smaller research organisations as project coordinators

Single Registration Facility

- Valuable, teething problems, slow validation

Flat rates, lump sums

- Simplification for Commission, complication for most players (who use real-cost accounting)
 - Absurd that participants are required to produce (real-cost) accounts showing that they spent at least the value of the fixed amounts received (Marie Curie)



Promised Simplifications in FP7 - II

Methodology Certification

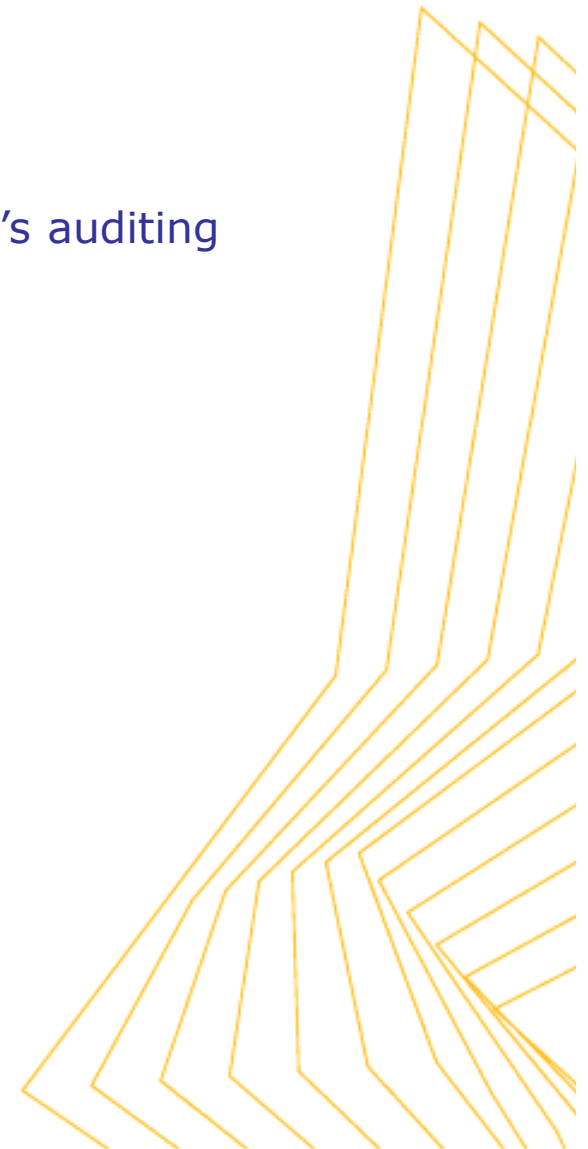
- Average personnel costs, overall financial reporting
- Average personnel cost certification in its present form will be an almost complete failure
 - Criteria too restrictive (notably 25% deviation criterion)
 - Does not correspond to common practice in industry (cost centre averaging)
 - Does not correspond to common practice in research organisations
 - Probably many universities using full cost will find themselves disqualified
- Evidence collected from 30 of the largest RTOs in Europe (several '000 project participations in FP6):
 - Almost all normally use average personnel costs (*"usual accounting and management principles and practices"*)
 - 24 of 30 (80%) definitely cannot meet the Commission's criteria (most of the others uncertain – partly a problem of cross-time stability of remuneration profiles)
 - 2 will anyway switch to direct costs for reasons of legal certainty (distrust of the Commission), despite the additional administrative cost



Promised Simplifications in FP7 - III

Audit Certificates

- In principle, a major advance
- In practice, probably redundant in view of Commission's auditing campaign
 - Ex-post FP6 audits
 - "real-time" FP7 audits



Climate of Mistrust

Ex-post FP6 Audits

- Successive tightening of definitions
- Multiple audits by COM and ECA
- Retrospective, unilateral redefinition of eligible costs



Background to Climate of Mistrust

Financial Regulation

Auditing Approach of the ECA

Rules of Participation

- Principles rather than precise definitions
- Interpreted in the past with intelligent discretion in order to accommodate real differences between countries and categories of FP participant



What to Do?

The Past

- Stop trying to fix the past (cf. EP 2007 budget discharge amendment)
- Focus on fixing the future

The Future

- Put clear, uniformly agreed rules (definitions, control framework) in place for FP8
- EP (ITRE, COCOBU) could take lead in establishing an inter-institutional “Round Table” to achieve this?
- Associate stakeholders to ensure rules and definitions that correspond to real-world practice

The Present

- In the meantime, manage FP7 projects with intelligent discretion, notably by respecting the principle of “in accordance with the usual accounting and management principles and practices of the participant” *RoP, Art. 31(3)c*

