

EUCAR position on the proposed rules for participation and dissemination of Horizon 2020 and ongoing issues of simplification

Executive Summary

EUCAR welcomes the proposal of the European Commission for a regulation establishing Horizon 2020¹ as well as the proposal laying down its rules for participation and dissemination. A number of items addressed in these proposals as well as issues of simplification not formally part of the Horizon 2020 legislative structure are of particular interest to EUCAR's members.

The proposed rules have the potential for simplifying the administration of R&D funding. It must be ensured that measures aimed at simplification do not create new burdens by shifting the complexity to a different part of the process. Beneficiaries require certainty and consistency in project administration. In particular, EUCAR recommends the following:

- EUCAR requests that the “maximum” level of reimbursement (e.g. the proposed 100%) be systematically applied in all EU R&I projects, to avoid uncertainty and discouragement for beneficiaries due to potentially lower reimbursement rates.
- EUCAR calls for a single reimbursement rate (i.e. 100% in the proposed text) to apply to all types of action, including all those “innovation” type actions listed in Article 22 §5(a). This would be interpreted as a strong stimulus for more innovation oriented projects and, again, avoids uncertainty and discouragement for beneficiaries from potentially lower reimbursement rates. Moreover it is difficult to identify and separate the different types of activities in R&I projects.
- Provisions for applying scales of unit costs must maintain the option for applying average personnel costs using cost centre methodologies, as introduced by the Commission simplification of 24th January 2011.
- EUCAR recommends the carrying out of an impact assessment on the options for externalising R&D management, in order to inform the most effective method and degree of externalisation.

About EUCAR

EUCAR is the European Council for Automotive R&D from the major European passenger car and commercial vehicle manufacturers. EUCAR facilitates and coordinates pre-competitive research and development projects and its members participate in a wide range of collaborative European R&D programmes. The European automobile manufacturers are the largest private investors in R&D in Europe with over €26 billion investment per annum, or 5% of turnover. EUCAR members are BMW, DAF, Daimler, Fiat, Ford of Europe, GM/Opel, Jaguar Land Rover, Porsche, PSA Peugeot Citroën, Renault, Scania, Volkswagen, Volvo Cars and Volvo Group. EUCAR is closely connected to ACEA, the European Automobile Manufacturers Association.

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EUCAR position on the proposed rules for participation and dissemination of Horizon 2020 and ongoing issues of simplification

EUCAR welcomes the proposal of the European Commission for a regulation establishing Horizon 2020² as well as the proposal laying down its rules for participation and dissemination³. This paper addresses in some detail particular provisions in the proposed rules for participation and dissemination as well as related issues on simplification arising from the proposal establishing Horizon 2020 and separate from the legislative proposals, setting out EUCAR's official position. EUCAR and its members look forward to working with the EU institutions and other stakeholders in the further discussions and negotiations on Horizon 2020 and request that the positions set out in this paper be taken into account.

Horizon 2020 Rules for Participation

The following points represent the priority issues for the automotive manufacturers in the Proposal for a Regulation of the European Parliament and of the Council laying down the rules for the participation and dissemination in 'Horizon 2020 – the Framework Programme for Research and Innovation.

EUCAR acknowledges the new cost model proposed by the European Commission. With this new model of 100% funding of direct eligible costs, it is essential that the EU institutions continue to recognise that the principle of co-funding of EU projects is fully maintained. This is important to demonstrate the commitment of beneficiaries, in particular industry, to EU R&D through their investment in the projects.

New cost model

Articles 22 – 24 detail the proposed cost model to be applied in Horizon 2020. The basic concept for research actions of maximum 100% funding for total eligible costs, applying a 20% flat rate for indirect costs ("100+20" model) should result in a substantial simplification.

EUCAR is able to accept the basic principle of this cost model, if combined with the simplifications agreed upon during FP7, including the adherence to usual accounting principles and practices, application of average personnel costs using cost-centre methodologies and handling of indirect costs.

Even within the same industry, companies have strongly differing cost structures. The proposed cost model may therefore be financially beneficial for some beneficiaries but a disadvantage for others, compared to the FP7 regime for industry of 50% funding of total eligible costs (with 100% funding for management activities).

Of greatest concern to EUCAR members is the uncertainty in the actual applied funding rate. Such uncertainties can create a strong disincentive for participation by industrial beneficiaries, acting against the objective to increase industrial participation and reducing the potential for innovation to be generated through the research. This uncertainty arises for two reasons:

- Designation of the proposed funding rates (e.g. 100%) as the "maximum".
- The lower reimbursement rate (70%) for certain actions (Article 22 §5(a)).

EUCAR therefore requests that it be specified that the proposed "maximum" funding level be in fact the norm, to be systematically applied in all R&I projects.

The proposal introduces a lower maximum reimbursement rate (70%) for actions primarily consisting of activities such as prototyping, testing, demonstrating, experimental development, piloting, market replication (which can be described as actions oriented more towards "innovation"). This generates a number of major concerns:

- Determining and agreeing the distinction between these different types of actions within a project negotiation will be a complicated matter, likely resulting in increased time to grant.
- “Experimental development” can be considered equivalent to “technological development”, which in the FP7 Rules for Participation⁴ (Article 33, Upper Funding Limits) is categorised together with research. Beneficiaries are therefore faced with lower reimbursement rates for experimental development actions in Horizon 2020 whereas in FP7 they are reimbursed as research actions.
- The uncertainty created would be a significant disincentive for many potential beneficiaries to participate in projects, reducing the industrial participation, the diversity of project partners and the innovation potential of bringing the research results to marketable products and services.
- One major objective of Horizon 2020 is to enhance the link between research and the market. If the “innovation” and “research” actions are differentiated in this way through varying reimbursement rates, this link will be impaired and the innovation objectives will be more difficult to achieve. Moreover it is difficult to identify and separate the different types of activities in an R&I project.

EUCAR therefore calls for the “100+20” reimbursement model to apply to all types of action, including all those “innovation” type actions listed in Article 22 §5(a). This would be interpreted as a strong stimulus for more innovation oriented projects.

Additional financial measures

It should also be noted that currently under FP7 there is a requirement to declare separate figures for direct and indirect costs. Under the proposed cost model there remains the requirement to declare figures only for direct costs, but with potentially stricter scrutiny of breakdown between direct and indirect costs than in FP7. For some beneficiaries, this does not correspond to usual accounting principles and practices, thereby obliging such beneficiaries to apply special procedures and contradicting the principles applied in simplifications under FP7. The Commission should allow beneficiaries to use methodologies enabling reimbursement according to the usual accounting principles and practices of such beneficiaries, based on declaration of total eligible costs only.

Article 24: EUCAR’s members are transparent in providing indirect costs processing information. They understand that a 20% flat rate on direct eligible costs will be applied for indirect costs funding and notice that by way of derogation, indirect costs may be declared in the form of a lump sum or scale of unit costs when provided for in the work programme or work plan. EUCAR members would like to know to what extent and in which circumstances this derogation would be given and how it will be applied.

Article 25: we welcome proposals on the calculation of annual productive hours, which offers a useful simplification whilst ensuring that the discipline and accountability created by timesheets is maintained where these are necessary. However, EUCAR members are not in favour of the provision in subparagraph 3, by which the number of annual productive hours are defined in the grant agreement. The current procedure, by which the methodological requirements are set out in the Commission’s “Guide to financial issues relating to FP7 indirect actions”, remains appropriate for Horizon 2020.

Article 27: the provisions for applying scales of unit costs must maintain the option for applying average personnel costs using cost centre methodologies, as introduced by the Commission simplification of 24th January 2011.

Article 28: the proposed threshold for providing a certificate on the financial statements, €325 000, represents a reduction of €50 000 compared to the requirement under FP7. In the spirit of simplification, we recommend that the threshold be maintained at the current figure of €375 000 at a minimum.

Other provisions

Article 2 & 22-5(b): EUCAR requests a clarification of the definition and scope of “programme co-fund actions”.

Article 14: we welcome the definition of the award criteria for the evaluation of project proposals: excellence, impact and quality and efficiency of the implementation. These criteria and only these criteria should be maintained.

Article 40: the provisions on exploitation and dissemination include a requirement for participants to use best efforts to exploit the results in further research or commercially. By definition of their role and incentivised by their co-funding of EU R&D, industrial companies automatically make a paramount effort to exploit the results of their R&D projects. This requirement should not be used to apply additional bureaucracy to beneficiaries, whose in-built incentive is sufficient evidence to prove “best effort”.

Regulation establishing Horizon 2020

The following points address issues on administrative and financial rules in the Proposal for a Regulation of the European Parliament and of the Council establishing Horizon 2020 - The Framework Programme for Research and Innovation. This complements the statements above on the rules for participation

Simplification

Article 23: EUCAR welcomes the intentions expressed regarding control and audit, including achieving an appropriate balance between trust and control to attract excellent researchers. To be most effective, the audit strategy should be geared towards higher risk beneficiaries. The audit burden should therefore be minimised as much as possible for experienced and proven beneficiaries.

EUCAR also supports the simplification objectives expressed in the section on Management Measures and calls upon the Commission to apply the measures as consistently as possible.

Additional items

Legislative Financial Statement – Indicators of Result and Impact: it may prove difficult to measure the achievement of the indicators proposed, in particular the numerically defined ones such as patent application and publications but it is indeed valid to set aspirations in these areas. Again, by definition of their role and incentivised by their co-funding of EU R&D, industrial companies automatically make a paramount effort to exploit the results of their R&D projects.

In particular, however, it does not seem appropriate to set a target for the number of Union pieces of legislation referring to activities supported in the area of the different Societal Challenges. This risks creating an incentive for R&D projects, which would detract from their excellence, impact and implementation.

Related issues in administration of the Framework Programmes

EUCAR acknowledges the European Commission’s target for 70% of the management of the Framework Programme to be externalised by the end of Horizon 2020. It is understood that this could be achieved through a number of different methods, including executive agencies, joint undertakings, contractual public-private partnerships. In the execution of externalisation, it must be ensured that true efficiencies are secured without introducing additional complications. The quality of the research and a quick process remain essential objectives.

With this in mind, EUCAR recommends the carrying out of an impact assessment on the options for externalising R&D management, in order to inform the most effective method and degree of externalisation. EUCAR and its members will be glad to provide their expertise to such an impact assessment.

EUCAR acknowledges the European Commission's objective for a substantial reduction in time-to-grant of European projects. However, this does not solve the problem of the long time from idea-to-grant, since it can take over two years for a research idea to be implemented in a work programme and for the call, evaluation, negotiation and grant contracting to be completed.

EUCAR therefore additionally also recommends further consideration of its 2010 proposal for a dedicated fast-track funding scheme for time-critical R&D⁵. This scheme, running in parallel to the traditional collaborative research model, would devote open calls to these critical topics and employ dedicated fast evaluation and negotiation resources. This would ensure quicker implementation of projects where the research is time-critical, enabling faster innovation and market deployment.

Conclusions and recommendation

In conclusion, EUCAR is of the opinion that the proposed Rules for Participation and Dissemination have the potential for simplifying the administration of R&D funding. It must be ensured that measures aimed at simplification do not create new burdens by shifting the complexity to a different part of the process. In particular, beneficiaries require certainty and consistency in project administration. In particular, EUCAR recommends the following:

- EUCAR requests that the “maximum” level of reimbursement (e.g. the proposed 100%) be systematically applied in all EU R&I projects, to avoid uncertainty and discouragement for beneficiaries due to potentially lower reimbursement rates.
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¹ “Proposal for a Regulation of the European Parliament and of the Council establishing Horizon 2020 - The Framework Programme for Research and Innovation”, European Commission, November 2011.

² “Proposal for a Regulation of the European Parliament and of the Council establishing Horizon 2020 - The Framework Programme for Research and Innovation”, European Commission, November 2011.

³ “Proposal for a Regulation of the European Parliament and of the Council laying down the rules for the participation and dissemination”, European Commission, November 2011.

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- 4 " Regulation (EC) No 1906/2006 of the European Parliament and of the Council laying down the rules for the participation.... Of FP7", December 2006.
- 5 " A dedicated programme for collaborative R&D into critical priorities in the Eighth Framework Programme", EUCAR, December 2010. www.eucar.be/publications/Fast%20Track%20Funding