

POSITION OF THE CZECH REPUBLIC ON DOCUMENT COM(2011) 174 final

“THREE MEASURES FOR SIMPLIFYING THE IMPLEMENTATION”

April 2011

Introduction

In September 2010 the the position of the Czech Republic “SIMPLIFYING THE IMPLEMENTATION OF THE RESEARCH FRAMEWORK PROGRAMMES” has been prepared by a working body of the Ministry of Education, Youth and Sports of the CZ (MoEYS). This document is part of this Annex and reflects the new development concerning the issue of simplification, concretly introduction of “three measures for simplifying” introduced by the document C (2011) 174 final.

The following text describes the position of the CZ on the three measures:

AVERAGE PERSONNEL COSTS

The CZ appreciates the effort of the European Commission (EC) to simplify the rules concerning usage of average personnel costs in FP7. In the past, most organizations in the CZ have not submit request on the certificat to the EC and thus have not used average personnel costs in FP7 projects. However, it seems, that the new simplification in this area may motivate more Czech organizations to use average personnel costs in FP7 projects. Consequently, CZ would appreciate more clear interpretation of the newly applied principles to avoid further different interpretations by different auditors – i.e. especially the Article 4 “*Personnel costs charged on the basis of methodologies ... shall be deemed not to differ significantly from actual costs.*”.

FLAT-RATE FINANCING OF SME OWNERS AND OTHER NATURAL PERSONS NOT RECEIVING A SALARY

The CZ highly welcommes and supports the use of flat-rate financiing for natural persons and SME owners who do not receive a salary. It fully reflects the Czech position publised in September 2010 (VERA_12_2010). Additionally, the CZ would appreicate more clear interpretation form the EC of some aspects concerning the usage of this flat rate – i.e. especially the definition and necesseary supporting evidence for defining different research categories (i.e. full time experience in reserch).

RESEARCH CLEARING COMMITTEE

The CZ highly welcommes and supports the activity to set up a Research Clearing Committee between the Directorates-General responsible for the implementation of indirect actions under the FP7. The CZ suppost that it will lead to the uniform interpretation of FP7 rules and principles across all Directorates General

and by all project officials. It fully reflects the Czech position published in September 2010. Additionally, the CZ would appreciate more information concerning the practical issues of cooperation of this body with the Member States (represented by e.g. National Contact Points for FP7).

**POSITION OF THE CZECH REPUBLIC ON DOCUMENT COM (2010) 187
“SIMPLIFYING THE IMPLEMENTATION OF THE RESEARCH FRAMEWORK
PROGRAMMES”**

September 2010

Introduction

Over the past decades the Czech Republic (CZ) has been gradually involved in Framework Programmes (FPs), at first as a third country in FP3 and FP4, subsequently as an associated country in FP5 and only in 2004 as an EU Member State. Member organisations have gradually improved their knowledge of financial, administrative and legal rules of FP projects and try to better understand the complexity and development of those rules when submitting and managing projects. The fact that FP rules are new for a number of organisations (i.e. different from national programmes) may result in their fear to participate in FPs due to extensive administration related to the preparation and implementation of projects and ambiguous understanding of rules, which may lead to erroneous implementation and subsequent findings in financial audits. This raises a question whether demanding projects are indeed delivered by the most competent teams or whether they are delivered by teams that have better knowledge of the robust rules of the programmes.

Thus, the CZ highly appreciates efforts of the European Commission (EC) to simplify the rules of Framework Programmes, to achieve their stability and uniform interpretation as well as to discuss the move from cost-based funding towards result-based funding.

The position of the CZ has been prepared by a working body of the Ministry of Education, Youth and Sports of the CZ (MoEYS), namely by the Committee for the European Research Area (VERA), based on experience of selected experts with FP implementation and experience of national contact officials with FP7.

Stable, uniformly interpreted and harmonised rules

Stability, uniform interpretation of rules and their harmonisation with programmes related to FPs should serve as a cornerstone for simplifying Framework Programmes. Both FP participants and the EC would benefit from simplified rules. No measures should be only unilateral.

The CZ believes that it is vital to ensure **maximum stability of rules** during the implementation of one FP. Frequent changes, new interpretation of rules and constantly changing guidance, requirements and on-line systems confuse the participants. It is also essential that all rules and systems used for submitting project proposals, evaluation and implementation be known and operational already at a time when a new Framework Programme is launched. Only unavoidable changes should be made, their **interpretation should be uniform across all Directorates General (DGs) and by all project officials** and they should not have an impact on projects whose implementation is already under way. The CZ hence wishes that the potential introduction of new rules in FP8 as a result of efforts to simplify Framework Programmes be *done at once* and in the context of launching FP8 in 2014. By that time *the process of amending necessary legislation will have been launched* (e.g. EU's Financial Regulation). At the same time, the EC should consider possible measures for the application of uniform rules and use of the same electronic systems in all DGs in charge of research and innovation issues and should disseminate a binding uniform interpretation of rules among its officials and auditors. **Continuity of the rules of Framework Programmes** should also be considered. Provided rules that follow from cost-based funding (input-based oriented) are maintained in FP8, in that case FP7 rules should be followed as much as possible. They should mainly be simplified and only necessary changes should be made, eliminating shortcomings established during FP7 implementation.

A highly desirable step would be to **harmonise** financial rules of programmes related to FPs, be it on the basis of a financial contribution received from FPs or as a result of some FP activities (i.e. ERA-NET Plus, initiative pursuant to Article 187, e.g. Joint Technology Initiatives (JTIs), initiative pursuant to Article 185, Joint Programming Initiatives (JPIs), Joint Research Initiatives (JRIs), Knowledge and Innovation Communities of the European Institute of Innovation and Technology (KICs), Public-Private Partnerships (PPPs)) or other EU programmes related to R&D&I (e.g. Competitiveness and Innovation Framework Programme - CIP); this would surely serve as a major source of simplification not only for FP participants but also for the EC itself. The CZ will appreciate if the EC takes steps in this direction. It is vital to search for fields where harmonisation of rules will lead to simplification (e.g. IT systems, administrative procedures). Besides, synergies between FPs and Structural Funds (SFs) are discussed ever more at European level. Harmonisation of their rules

would also be desirable; however, this would require a broader discussion both at EC level and at the level of Member States.

Result-based funding

EC Communication COM (2010) 187 contains an idea to move towards result-based-funding, which the CZ regards as highly beneficial and believes that it will result in opening up a public debate about this topic now, well ahead of launching new FPs. The scientific content and excellence of a proposal should be the main criterion for funding and evaluation of a project.

Already FP5 and FP6 saw efforts to simplify administrative procedures. As the agenda to simplify still continues and as commissions devoted to simplification continue to be established, it may seem that the complexity of administrating FP projects cannot be removed. The robustness and excessive complexity of management rules and demands posed on research teams resulting from the above is an effect of EC's efforts to ensure due absorption of public funds by research consortia, which comprise teams originating from various national research and development (R&D) environments. **Multiple participation of certain institutions in FP projects raises a question already mentioned above, i.e. whether demanding projects are indeed delivered by the most competent teams or whether they are delivered by teams that have better knowledge of the complexity of rules necessary for project submission and management.** More attention is still paid to guaranteeing a true "not-for-profit" support of participants in FP projects than to finding out to what extent the projects achieve proclaimed objectives. In this context the CZ believes that it is vital to start considering the possibility of using result-based funding in the upcoming FP. Related to this is a recommendation to establish databases of research and development results, as follows from the results of the EUFORDIA 2009 conference adopted by the Council of the EU. In any future development such database seems to be a major step forward towards efficient use of research and development programmes, monitoring this issue and carrying out qualitative analyses, and is absolutely essential in a result-based system.

The following text describes in greater detail the position of the CZ on individual strands of EC Communication COM (2010) 187.

Strand 1: Streamlining proposal and grant management under the existing rules

1. User support, guidance, transparency, IT tools and processes

In the course of FP7 the EC introduced and still continues to develop a number of innovative IT tools and processes with the objective to streamline and simplify the implementation of projects. The CZ **supports the present efforts of the EC to continue improving these IT tools and welcomes further proposed steps, i.e. to**

expand the use of a Participant Portal (PP) for all activities related to project implementation, from project submission right up to the evaluation of final outputs. The CZ believes that PP will in the future become an intelligent and robust tool that will significantly simplify participation in FPs (instead of only introducing individual ad hoc components of the system). The steps proposed in Communication COM (2010) 187 should be part of this system (i.e. introduce e.g. electronic signature, enable automatic publication of relevant publishable project results, improve provided information). Another vital part of the system mentioned above is a **database of results**, in particular in the shape of a search database open to the public (in those cases where the nature of research allows it) similar to a database of technical information. At the same time, it has to efficiently serve for the purposes of analyses and evaluation of Framework Programmes.

Constantly changing IT tools and processes are often negatively perceived mainly by project coordinators (who have to acquaint themselves over and over again with changed rules in every reported period when sending reports to the EC or when submitting a new project) and as a result of this **IT tools become less user-friendly**. The CZ is of the opinion that **all IT tools and processes should be completed and tested before launching FP8 and that they should be stable during FP8 implementation**. Potential necessary changes in the course of FP8 should not take place on an ongoing basis (as is the case now in FP7), a number of changes covering a longer period should be made at a time.

The CZ also welcomes another change, namely the introduction of electronic signature.

The CZ truly **supports an effort of the EC to move towards the use of uniform and user-friendly IT tools in all EU programmes for supporting research, development and innovations**. Uniform and intelligent IT solutions and processes that do not overburden users with excessive registrations, user names and passwords should be used by all relevant DGs of the EC (in particular by DG RTD and DG INFSO) as well as by agencies involved in project administration. The need to harmonise is on the rise also in the context of developing cooperation in the form of Public-Private Partnerships (PPPs), etc.

2. Uniform application of rules

Uniform interpretation of rules, their uniform application and coordination in planning and carrying out audits by all Commission services (including related audit bodies such as the Court of Auditors and audit companies that perform audits on behalf of the EC) contribute towards greater trustworthiness of the EC itself as well as comprehensible interpretation of rules and provide greater legal certainty for the participants. The CZ supports EC's efforts to achieve uniform interpretation and application of rules and procedures and believes it is positive that Communication COM (2010) 187 raises the issue that rules are not interpreted uniformly by

Commission services. According to the above document the EC wishes to improve the situation by providing a coherent audit programming respecting the single audit approach. Results of the first audit should thus guarantee the participants legal certainty for the rest of FP duration. Undoubtedly, this intention is the right one, but none the less **the CZ demands that the European Commission specify it more** so that the CZ can make a relevant statement about it.

3. Optimising the structure and timing of calls for proposals

Predictability of dates of call publication and deadline would also be a certain simplification for FP participants. In this respect the CZ greatly welcomes that there be regularity every year. Besides, the EC should consider which periods of the year are the most suitable for the publication and deadline of calls (experience shows that the summer holiday period does not serve as ideal timing for call publication; likewise, the beginning of January may not be suitable as a deadline from the viewpoint of participants).

The CZ also supports EC's proposal to **prolong the period when calls are open** (i.e. when participants may form consortia and prepare project proposals). At the same time, the period from submitting a project proposal to signing a grant agreement (i.e. time-to-grant) should be reduced. In this respect the EC should aim at speeding up first and foremost the negotiation process. The CZ believes that this is realistic and viable thanks to the establishment of a central register (URF) and the need to validate organisations only when they participate in an FP7 project for the first time.

Greater utilisation of the two-tier system of submission and evaluation of project proposals should still continue. However, this system poses greater demands on outstanding scientific experts (mainly when applying the system of result-based funding); at the same time this system must not lead to prolonging time-to-grant.

4. Adapting sizes of consortia

The issue of sizes of consortia mentioned here is not significant only with respect to reducing time-to-grant and time-to-pay, but it also touches upon the principal **issue of project management and efficiency of carried out research**. It is vital that the size of a consortium be in compliance with the optimal structure for the implementation of specific research activities and should therefore be assessed project by project. The actual text of a published call should contain relevant information about EC's expectations (a qualified viewpoint) as concerns the size of a consortium. As regards the size of consortia in general, the CZ is in favour of establishing smaller consortia. Large consortia should only be established when it is justifiable from the scientific viewpoint.

It is not clear whether reduction in the size of consortia considered by the EC has the desirable potential, i.e. that it would lead to reducing the average time-to-

grant and time-to-pay. Unless the overall number of FP participants is to be reduced, the smaller size of consortia would presumably lead to a greater number of projects and hence will pose greater demands on the capacity of Commission services. Thus, the CZ demands a more detailed specification about this issue.

5. More extended use of prizes

A pilot action to be carried out by the EC as part of a funding model based on the use of prizes should be preceded by a sufficient clarification of the application and operation of this model. From the viewpoint of the CZ it is not desirable to apply prizes as a form of funding on a flat basis and prizes should therefore be used as a complement to the existing system of grant provision. Likewise, the use of prizes requires high qualifications of evaluators, whose decision would thus guarantee excellence of supported projects. The use of prizes could also pose greater demands on Commission services and that is why **it is necessary to further clarify the proposed steps**. First and foremost, the CZ will welcome an explanation as to how the principle of prizes will help to build ERA and which strategic objectives this model will support.

Strand 2: Adapting the rules under the current cost-based system

1) Broader acceptance of usual accounting practices

The CZ greatly supports EC's proposal pertaining to a broader interpretation of the eligibility of costs with regard to various national and institutional specifics, i.e. to consider costs eligible provided they are registered in the participant's accounts in accordance with the organisation's usual accounting practices and provided they are in compliance with valid national accounting and auditing standards. This principle should be applied in all categories of costs and mainly when applying actual overhead costs in FP8 projects (full costing) as well as in the context of the possibility to use average personnel costs.

If the objective of this measure is to reduce the error rate in FP projects and to prevent the setting up of parallel accounting systems and organisation rules purposefully for the sake of FP projects, it is necessary to realise that this notion requires a **clear interpretation of de minimis rules and FP principles as well as greater trust from the EC** (vis-à-vis national rules and research organisations). There has to be a clear binding interpretation of the basic framework of FP financial rules, which has to be used also when an organisation applies its usual accounting practices. Organisations that will act in good faith in accordance with the above rules will thus have certainty that they will pass subsequent audits without a finding. Should a situation occur that is not clearly discussed by the rules, both the EC and the auditor should incline to the usual practices followed by a given institution (this

prevents the existence of grey zones that are left to a subjective interpretation of the EC or the auditor and that allow an additional interpretation or a different interpretation from a previous audit).

This measure seems to be more efficient than an attempt at exhausting FP rules that would describe in detail all possible situations that may occur in FP projects (which would not be possible anyway with regard to the diversity and variety of national legislations and member organisations).

2) Average personnel costs

Average personnel costs should be used in FP projects in accordance with usual accounting and management practices of a given institution, i.e. by those entities that really commonly use average personnel costs in reporting their activities (both vis-à-vis e.g. national providers and in job orders), and also pursuant to the rules that these entities commonly apply. Average personnel costs should not be purposefully used only for the sake of FP projects. As the EC proposes, these costs should be based on actual costs registered in the accounts of an organisation and double funding must not occur. The EC should also clearly declare that potential deviations between reported averages and actual figures will not be regarded as profit from a project. Should this not be done, entities that apply average personnel costs in FP projects will have legal uncertainty and there will be room for a subjective interpretation by the EC and auditors.

The CZ believes there is only a limited possibility to have the average personnel cost methodologies certified by national authorities. This shifts the administrative burden from the EC to national authorities. Furthermore, we have to realise that not all countries actually have bodies entitled to perform such certification. For the purposes of applying average personnel costs in FPs, certification by national authorities should thus be a possibility, but not a necessary precondition.

The possibility to use average personnel costs in FPs is often misunderstood and misinterpreted by beneficiaries and the EC should therefore focus more on providing a clear interpretation of the above rules.

At present, most organisations in the CZ do not commonly use average personnel costs in R&D projects, as Czech providers do not require the use of average personnel costs in national projects aimed at supporting R&D. Only one application to have average personnel costs certified was filed in FP7, but it was subsequently withdrawn since the organisation failed to meet strict conditions defined in Commission Decision of 6 June 2009. Nevertheless, the CZ demands that planned simplification take place in this field.

3) Limiting the variety of rules

In general it may be said that the CZ welcomes the possibility to apply a common set of basic principles as opposed to an attempt at defining all sorts of situations and exemptions (also with view to the fact that it is impossible to capture all national and institutional specifics, as described already in 2.1.), i.e. at having a tailor-made approach. On the other hand we have to realise that we cannot have a one-size-fits-all principle, which is not suitable since it may not reflect the economic reality and specific features of organisations. It is hence vital to search for a compromise, for a certain “few-sizes-fit-most”.

The CZ sees a potential simplification in **using only one funding rate** for all types of activities (it will therefore not be necessary for a researcher to monitor separately e.g. hours spent on the research and on project administration); however, not for all types of organisations. **Organisations have to be divided into several categories** that use different funding rates. A division of organisations pursuant to a definition in the Community Framework for State Aid for Research and Development and Innovation (2006/C 323/01) seems to be a possible scenario for simplification, i.e. to have small and medium-sized enterprises, large enterprises and not-for-profit research organisations. However, the question is whether it is suitable at all to alter the division of entities used already in FP7. Thanks to the introduction of a central register (URF) numerous organisations have already been validated. If new categories of organisations were to be defined in the future, all organisations would presumably have to undergo the validation process again. This would be highly non-efficient, administratively demanding and not in accordance with the objectives that the establishment of URF was to follow. Therefore, the CZ is in favour of maintaining the existing division of organisations (i.e. a higher reimbursement rate for small and medium-sized enterprises, not-for-profit research organisations, secondary and higher education institutions and not-for-profit public entities).

The use of one single flat rate as the only option for reporting indirect costs in FP projects (for all types of organisations and projects) appears to be unsuitable and is unacceptable for the CZ.

If an organisation is to operate on the basis of financial sustainability, it has to be able to identify and cover actual costs of its activities (including actual indirect costs related to the implementation of a project). Those needs should be paid attention to and taken into consideration in the rules prepared by subsidy providers. The rules of FP7 make it possible to use methodologies for monitoring actual indirect project costs (full costing) and have thus inspired some national providers and motivated a number of organisations (mainly universities and public research organisations) to prepare and subsequently implement such methodologies. According to a study prepared by an expert group of the EC entitled *“Diversified Funding streams for University-based research: Impact of external project-based research funding on financial management in Universities”*, the rules of FP7 are a step

in the right direction and the EC should support the adoption of full costing. The CZ fully agrees with the conclusions of the above study.

At the same time, we have to realise that not all institutions will be able to apply full costing methodologies in the near future (or that they will not be interested in applying those methodologies). The CZ hence recommends that organisations **have the possibility to choose between actual indirect costs (full costing) and a single flat rate for indirect costs** in FP8. The use of multiple rates (limits) for a flat rate for indirect costs confuses the participants and the CZ therefore does not support it (i.e. the simultaneous use of the rates of 20%, 60% and 7%, respectively).

In the context of applying actual indirect costs in FP8 projects a broader interpretation of the eligibility of costs should be used with regard to different national and institutional specifics (as has been described in 2.1). This implies that the EC has to trust national rules and national audit bodies. **To rest assured that the applied full costing methodology is of a sufficiently high quality, the EC could (where suitable and applicable) focus not only on auditing individual organisations, but also on auditing rules at national level and should consider the possibility of accepting decisions (certificates) issued by national providers for the needs of national R&D programmes.**

At present, awareness of the importance to implement full costing methodologies is on the rise both in Europe and in the CZ, with the aim of ensuring financial stability of organisations. The advantages and disadvantages of this system are currently actively debated also by Czech universities and public research institutions. Although no university has yet applied the method of reporting actual indirect costs in the CZ at present, almost all are already discussing the issue, numerous universities have already started its preparation and we can expect that in the upcoming years (already before launching FP8 in 2014) they will already have started to apply full costing models. Financial rules of the Operational Programme “Research and Development for Innovations” (RDI) financed from Structural Funds (SFs) are one of the main stimuli for the introduction of the above models in the CZ at national level. The provider, namely MoEYS, has issued a document entitled “General rules (framework methodology) for reporting actual indirect project costs under OP Research and Development for Innovations”. These rules set forth basic requirements for the methodology so as to be at variance with neither national legislation nor FP7 rules. Besides, they have to be sufficiently general so as to make it possible for organisations to take their specific features into consideration but at the same time they have to be specific enough so as to provide a basic scope for the methodologies’ eligibility. The method applied by an organisation has to be agreed by the provider for the purposes of OP RDI. For this purpose, MoEYS has selected an audit company that will perform on-the-spot auditing pursuant to a methodology prepared and published in advance (it will be available presumably in autumn 2010).

The introduction of full costing is a highly demanding process both from the methodological viewpoint and from the personnel, time and financial points of view. So as to support Czech universities in preparing methodologies, MoEYS has decided to release over CZK 250 million (i.e. approximately EUR 10 million) for the preparation of methodologies (from the Operational Programme “Education for Competitiveness” financed from SFs and national resources, centralised projects for the support of the development of universities for the year 2011).

As is clear from the above information, the CZ has already started the process of preparing full costing methodologies at universities as well as at public research institutions. Besides, in the future national audit bodies will perform ex-ante controls of methodologies prepared by individual organisations (“certification”). With view to this development the CZ would appreciate if it would be possible to choose actual indirect costs in FP8, if national certification was recognised (of those entities that own a certificate) and if it would be possible at the same time to choose a flat rate for institutions that will not be able to or will not wish to apply full costing.

4) Interest on pre-financing

The CZ sees several possibilities for simplifying FP financial rules in this field. However, it has to be pointed out first and foremost that pertinent legislation (mainly EU’s Financial Regulation) has to be amended accordingly where applicable.

Fully removing the obligation to open an interest-bearing account for a project is the simplest measure. In this alternative the EC would fully give up interest generated by an advance payment for an FP project (i.e. pre-financing). The CZ is in favour of this option.

Another possibility reflects more the existing rules of FP7 and the present situation. It should be clearly stated in this alternative that **coordinators can choose** whether an interest-bearing account will be opened for a project or not (e.g. with view to national and administrative barriers, usual practice of an institution or a strategic management decision). Provided an interest-bearing account is opened for a project, the coordinator will be obliged to report the relevant amount to the EC and the interim payment sent to the coordinator’s account will be subsequently reduced by that amount (so as to meet the condition that projects shall not generate profit).

Pursuant to Czech national legislation all types of organisations can open an interest-bearing account for a project without any major administrative difficulties. None the less, the CZ demands that the situation in this field be governed uniformly and clearly. Numerous institutions would welcome the removal of the obligation to open a separate account for a project as well as the removal of the obligation to report potential interest generated by an advance payment.

5) More lump sum elements in the current cost-based approach

Greater (more frequent) use of lump sums in FP8 seems to be desirable in particular in personnel costs (which would remove the need to use timesheets in FP projects and would lead to an overall simplification of reporting personnel costs in FP projects). Nevertheless, it seems that the implementation of a lump sum for personnel costs could entail a problem as to how to set the amount (with regard to extensive differences in the amount of actual personnel costs not only among participants from individual countries, but also among different fields, regions and even institutions). **The CZ demands that the EC provide more information about this issue** so as to be able to evaluate whether the proposed solution would lead to simplification of the existing rules or not.

The CZ highly supports the use of lump sums for natural persons and SME owners who do not receive a salary. Based on experience from FP7 this rule could lead to a greater involvement of the above entities in FPs.

Any use of lump sums instead of actual costs that is under consideration should be first and foremost **discussed with stakeholders, mainly with regard to the specifics of national legislation.** The EC should also clearly define the notion of “lump sum” and related notions such as “scale of unit”. Synonyms such as “fixed amount” should not be used.

On 23 March 2009 the European Commission adopted a decision which makes it possible to use a flat rate in FP7 projects to calculate costs related to travel, namely daily accommodation costs and daily allowances. However, this step would not represent a major simplification of FP7 rules for Czech organisations, as the use of this flat rate is not fully in compliance with Czech national legislation and the usual practice of organisations. It cannot be said that the given rule is at variance with Czech legislation; however, in order to incorporate it in the usual practice of organisations several national legal regulations have to be taken into consideration, which would require consultations with pertinent experts. Besides, a change to the internal rules of an organisation itself would entail certain administrative and other demands. As a result, this would not represent simplification of rules, but would be rather to the contrary. It seems that there is a similar situation in a number of European countries. The CZ therefore insists that the EC consult stakeholders and analyse national legislation before it decides to use flat rates in specific cases.

6) Accelerating project selection

The CZ disagrees with a proposed restriction of powers of Member States (or rather delegates of Programme Committees). The possibility to voice agreement with selected projects to be funded from FPs is the only way in which Member States can, if need be, intervene in the process of project evaluation, which guarantees greater

transparency of the whole process. The CZ does not believe that the restriction of this power would be of any major importance in reducing time-to-grant. The EC should consider whether there are any other more efficient possibilities of how to reduce time-to-grant (e.g. in the negotiation phase).

7) Value added tax as an eligible cost in FP8 projects

The CZ would appreciate if identifiable value added tax (VAT) could be an eligible cost in FP8.

*Pursuant to the Value Added Tax Act (No. 235/2004 Coll., Section 81) it is possible in the CZ to claim the reimbursement of "Czech" VAT incurred in relation to implementing FP7 projects only provided a VAT deduction cannot be made. This option is open in particular to universities and public research institutions (i.e. not to enterprises) and provides a certain financial motivation at national level to participate in FP7 projects. On the other hand, it is mainly those institutions that do not commonly maintain separate VAT records in their usual accounting and management practice and that is why reporting costs without VAT in Form C for the EC entails a greater administrative burden. **From the viewpoint of the CZ the option to report VAT as an eligible project cost seems as a major simplification of administration suitable for all types of institutions.***

Strand 3: Moving towards result-based instead of cost-based funding

The considered move from cost-based funding towards result-based funding is the most important proposed change contained in EC Communication COM (2010) 187, which, however, does not fall into the simplification agenda according to the CZ, but rather is a truly new approach applied in order to enhance the efficiency of FPs.

The CZ highly appreciates the effort of the EC to introduce result-based funding and supports any other activities would provide more specific information about the possibilities and mode of applying this system in FPs.

None the less, the introduction of a new system requires a **long thorough debate** that has to involve besides the EC also professional institutions that evaluate research and development, project audits, national administrations in charge of managing R&D, research organisations and other relevant players.

The CZ also believes it is highly important that the EC perform a **thorough analysis** and compares the advantages and disadvantages of the existing cost-based system as opposed to the result-based system, which should provide information about what system seems to be more efficient with regard to supporting excellent research in Europe as well as with regard to the mode of public funds absorption.

In its document COM (2010) 187 the EC speaks about testing the system in selected fields on pilot actions. If the EC would wish to launch a result-based system already for FP7, the CZ is fairly sceptical about this possibility. It seems that with view to the need to amend related legislation and a lack of time it is not viable to launch, complete and evaluate pilot actions under FP7.

In order to evaluate whether the proposed solution will indeed lead to enhancing FP efficiency (or in other words to simplifying the existing rules) or not, the EC has to provide more information/ proposals concerning this issue in the near future. The CZ would welcome answers mainly to the following questions:

- How will result/output be perceived in this system?
- How and by whom will evaluation (both ex-ante and ex-post) and project negotiation take place in this system?
- What will be the cash-flow in this system?
- Would it be viable to introduce this system already for FP8 with regard to technical, legal and other aspects?
- Is it acceptable to use a combination of a cost-based and result-based system or a combination of various approaches within the result-based system?

The CZ recommends that the EC **analyse the experience to date** with the application of similar systems both in Europe and around the world and that it evaluate whether they could serve as a suitable inspiration for FPs. Attention could be paid to e.g. European Space Agency (ESA) programmes, NSF programmes (US National Science Foundation), NIH programmes (US National Institute for Health), US Global Fund to Fight AIDS Tuberculosis and Malaria or US Agilent Philanthropic Grants.

At present and with the current limited information from the EC it is not possible to take a clear stance on the proposed result-based system and its three alternatives. We therefore only summarise below the **issues that the EC should take into consideration in the future when discussing the potential introduction of a system based on scientific results/outputs**.

It seems that the introduction of this system can have a positive impact on a lower administrative burden for beneficiaries (e.g. there will be no need to report the number of hours worked in timesheets) and FPs can thus become more attractive for excellent researchers. Besides, the errors that occur when complex FP financial rules are applied and that are identified during ex-post financial audits would undoubtedly be eliminated. A greater emphasis placed on auditing results/outputs would also contribute to spending funds more efficiently and directly on research (and not administration) as well as to a higher motivation of researchers to achieve scientific project objectives.

On the other hand, it is highly problematic e.g. to have a uniform and acceptable definition of an output/result in the result-based system (so that it is

measurable, sufficiently ambitious and acceptable for all types of entities). It can also be difficult to determine the flat rate amount for a project (taking into account different levels of costs, including wage ones, at national/regional/institutional and individual level). Furthermore, it can also be difficult to take into account different needs and intervention logic of various types of projects (beginning with basic research and applied research right up to innovations; from individual projects to cooperation projects implemented by a large number of organisations) and increasing demands for EC services and expert evaluators (with a potential impact on FP budget and expert scientific and financial level of project evaluation).

*Ministry of Education, Youth and Sports,
Committee for the European Research Area,
Technology Centre of the Academy of Sciences of the CR (National contact
organisation for FPs)*

*This document was consulted with stakeholders from both academic and industry
fields*