

## **EUA Member Consultation 2017-2018**

# **Impactful Simplification of the EU Framework Programme for Research and Innovation**

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### Executive Summary (1)

Discussions on the **simplification of the rules for participation** are taking on strategic relevance in the run-up to the **9<sup>th</sup> EU Framework Programme for Research and Innovation** (Horizon Europe or FP9). This is because they have the potential to increase the added value and improve the efficiency and impact of EU funding. Missed opportunities for impactful simplification directly translate into significant costs at all stages of the project life cycle. As the largest beneficiaries of Horizon 2020, universities are a key stakeholder and unique partner for EU institutions seeking to improve and simplify Framework Programme rules.

In 2016, EUA launched the [EUA Member Consultation on the Horizon 2020 Mid-Term Review](#), which addressed several aspects of Framework Programme simplification and revealed the need for further research into beneficiary opinions. In Autumn 2017, a second guided opinion poll aimed at collecting specific evidence about opportunities to **further simplify** and **enhance the efficiency of the EU Framework Programme** was launched. This survey (hereafter the Focused Simplification Survey) also **assessed the impact of changes** to the Horizon 2020 Model Grant Agreement introduced in 2017.

Complemented by expert advice from the EUA simplification group, the results of these consultations inform the recommendations put forward in this report, the [EUA paper on EU Funding Simplification](#), and more generally in EUA's wider campaign for sufficient, sustainable and simple [EU Funding for Universities](#).

### Executive Summary (2)

#### Conclusions and recommendations

- Cross-cutting steps to enable simplification

Simplification primarily involves reducing the incompatibilities between EU funding requirements and institutional financial management systems. This is best achieved by **embracing a trust-based approach** for established institutions with professional financial management procedures that are regulated and audited at national level. Greater vertical **alignment** between European, national and regional programmes and greater horizontal alignment between EU funding schemes would significantly reduce the administrative burden and increase the efficiency and impact of EU funds. Clear guidance and **consistent interpretation and implementation of the rules** would also reduce the risk of error and improve participation.

### Executive Summary (3)

- **Acceptance of institutional accounting practices**

Recent changes to the Model Grant Agreement allow for a certain degree of acceptance of institutional accounting practices, however participants struggle with their implementation. Universities would like to see more effective acceptance of institutional practices, including better procedures for calculating personnel costs.

The 9<sup>th</sup> Framework Programme should include several options that cater for participant diversity, including:

- An adequate, functional procedure for certifying national and institutional accounting methodologies
- Improved rules based on current Horizon 2020 procedures

### Executive Summary (4)

- **New and simplified funding methods**

Beneficiaries should be able to opt for new and simplified funding methods and they should be allowed to continue to use successful Horizon 2020 procedures.

Simplified funding methods should:

- Reduce the administrative burden
- Ensure fair competition and accessibility through improved eligibility criteria
- Reduce coordinators' financial liability and ensure transparent financial management within consortia
- Provide clear guidance on how to use the scheme

## 1. Introduction

### 1.1. Rationale

Discussions on the **simplification of the rules for participation** are taking on strategic relevance in the run-up to the **9<sup>th</sup> EU Framework Programme for Research and Innovation** (Horizon Europe or FP9). This is because they have the potential to increase the added value and improve the efficiency and impact of EU funding.

Universities are the biggest beneficiaries of Horizon 2020 and are involved first-hand in managing various types of Erasmus+ funds. EU funding (including structural funds) represents up to one fifth of university income structures. Universities comply with various funding programme rules as a result of their involvement in diverse regional, national and European schemes. The university sector is therefore a key stakeholder interested in the most efficient and effective funding rules, and also a unique partner for EU institutions seeking to improve and simplify these rules.

EUA has set out its vision for effective Framework Programme simplification in [Taking simplification of EU funding to the next level: the university perspective](#). This paper builds on the association's work on simplification and financial sustainability, including its [proposals for the 9<sup>th</sup> Framework Programme](#) included in the broader campaign for sufficient, sustainable and simple [EU Funding for Universities](#).





### Simplification at all stages of the project life cycle

#### Application

**74%**

High-quality H2020 proposals unfunded

#### Participation

**750 pages**

H2020 Annotated Model Grant Agreement

#### Reporting

**ca. 7%**

H2020 Projects audited

**€1.7 billion**

Spent on unsuccessful H2020 proposals to date

**8.5%**

EU-13 participation rate

**ca. 4.1%**

2016 estimated error rate under Competitiveness for Jobs and Growth

Missed opportunities for effective simplification directly translate into significant costs for beneficiaries and public funders at all stages of the project life cycle. The Commission's [Horizon 2020 Interim Evaluation](#) found that only 11.6% of Horizon 2020 proposals received funding, whereas 18.4% had been funded under the 7<sup>th</sup> Framework Programme (FP7). Only one in four high-quality proposals received funding in the first three years of Horizon 2020, representing €643 million underfunding for these proposals alone. Some participants may find the proliferation of information in the Horizon 2020 Annotated Model Grant Agreement misleading, leading to high error rates and reducing Framework Programme access. It is also worth noting that the EU-13 country participation rate remains low.

### 1.2. Mobilising universities

In 2016, EUA contributed to the Horizon 2020 mid-term review by compiling a set of core messages for EU and national policy makers to help improve the competitiveness and efficiency of the Framework Programme for Research and Innovation. These messages were supported by the results of the [EUA Member Consultation on the Horizon 2020 Mid-Term Review](#), which addressed several aspects of Framework Programme simplification and revealed the need for further investigation into beneficiary views on the subject.

In Autumn 2017, a second guided opinion poll of EUA members on **New Forms of Funding Targeting Simplification of the Framework Programme** (hereafter the Focused Simplification Survey) collected specific evidence about opportunities to **further simplify** and **enhance the efficiency of the EU Framework Programme**. It also **assessed the impact of the changes** made to the Horizon 2020 Model Grant Agreement in 2017, focusing on four issues that could make **programme administration less complex, time-consuming and costly**.

Complemented by expert advice from the EUA simplification group of university practitioners active in national and European research programmes, the results of these consultations inform the recommendations put forward in this report, the [EUA Paper on EU Funding Simplification](#), and EUA's wider campaign for sufficient, sustainable and simple [EU Funding for Universities](#). They also supported EUA's response to the Commission's stakeholder consultation on EU funds for research and innovation and served as a basis for discussions with the **Commission expert group on simplification in audit matters** and the **European Court of Auditors (ECA)**.

### 1.3. Report structure and survey methodology

This report and the Focused Simplification Survey are organised into **four main sections** concerning the measures that target simplification introduced under Horizon 2020:

- **Acceptance of institutional accounting and management practices**
- **Lump sum project funding**
- **Cascading grant options/calls for third parties**
- **The additional remuneration scheme**

The survey included a set of closed and open-ended questions. The resulting information reflected respondent institutions' experiences and satisfaction with the implementation of the simplification measures introduced under Horizon 2020. The results are based on quantitative and qualitative data. Quantitative data is presented in the form of graphs and qualitative feedback is summarised in tables.

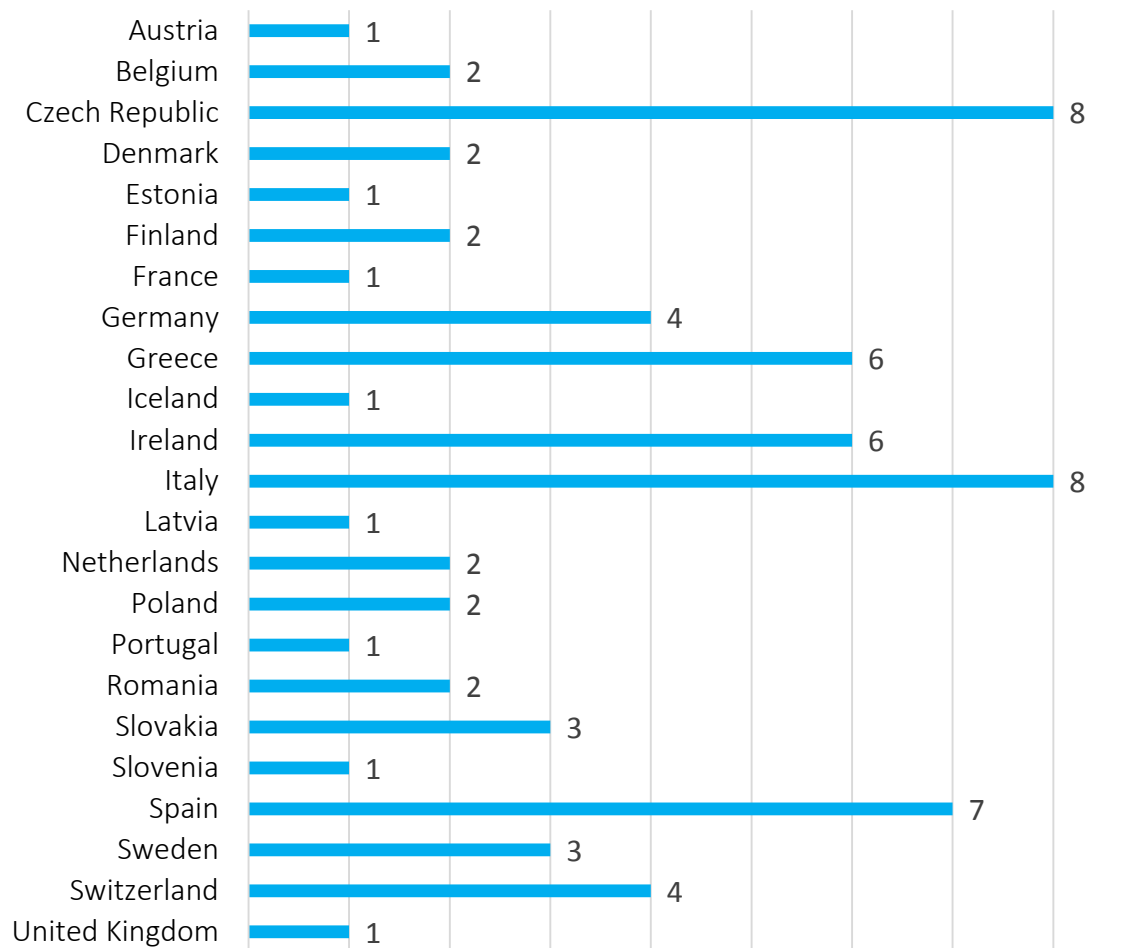


## 1.4. Sample

The analysis presented in this report is based on a sample of **69 valid responses** from **23 European countries**.

Responses were provided by higher education institutions of various profiles and sizes, including: comprehensive universities, medical universities, specialist institutions (technical and life sciences), universities of applied sciences, an institute of arts, an open university and a police academy.

Only one reply was accepted per institution. Multiple responses were reconciled by contacting the respondents concerned.



**Figure 1. Respondents' geographic distribution**

## 2. Acceptance of Institutional Accounting Practices

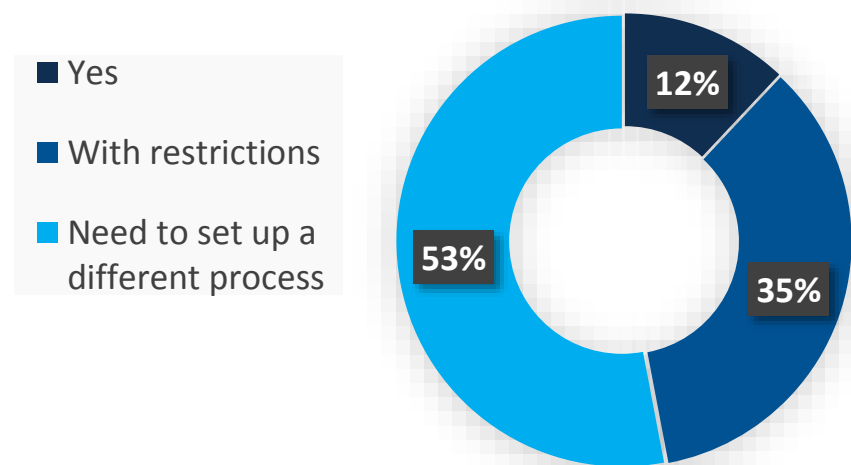
The current Horizon 2020 Model Grant Agreement (MGA) allows beneficiaries to use institutional cost accounting practices in two cases:

- a) To calculate **personnel costs on the basis of an amount per unit** calculated by the beneficiary ('unit costs' or average personnel costs)
- b) To calculate the costs of **products or services provided internally**

[The EUA Member Consultation on the Horizon 2020 Mid-Term Review](#) revealed that many institutions are still unable to apply the institutional accounting procedures accepted by national funders to EU funded projects.

This section of the survey therefore aimed to gain a broader understanding of how MGA changes were adopted by beneficiaries. Moreover, it explores beneficiary opinions on the measures to improve acceptance of institutional practices that they would recommend for the next Framework Programme.

**Were you able to use institutional accounting practices to manage Horizon 2020 projects?**



**Figure 2. Use of institutional practices for cost accounting**

Total respondents n=144/153

Source: *EUA Member Consultation: A Contribution to the Horizon 2020 Mid-Term Review, 2016.*

## 2.1. Measures for improving acceptance of institutional cost accounting practices

Which of the following measures could help improve acceptance of institutional cost accounting practices?

Total respondents, n=69

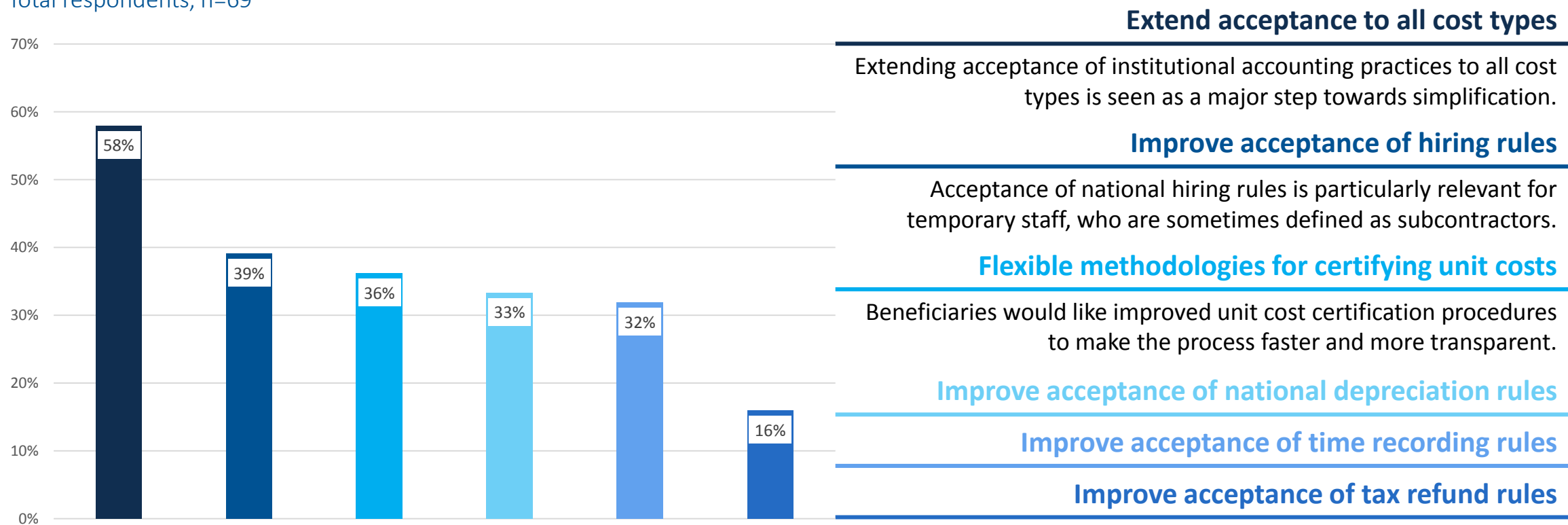


Figure 3. Preferred measures for improving acceptance of institutional cost accounting practices

What else could be done to allow you to use institutional cost accounting practices for Horizon 2020 projects?

\*The following table summarises the qualitative information provided by several respondents in answer to this open-ended question.

### Summary of recurrent topics

#### Improve acceptance of personnel cost calculation rules

##### **Make the time allocation system for calculating personnel costs easier**

Considerable administrative resources are required to calculate time allocation for Horizon 2020 projects. In some cases, Horizon 2020 rules conflict with national calculation systems and methods. Beneficiaries would like to see an extended use of declarations or to be able to calculate personnel costs on the basis of their salaries and/or the percentage of time spent on a project.

##### **Improve the alignment of personnel cost calculation methods**

The methods used to calculate Horizon 2020 project personnel costs can be very different from the methods that have to be used for projects financed by national research agencies (for example, Horizon 2020 personnel costs are based on the actual costs divided per work package rather than the simple reporting of salary costs required by national funders).

##### **Use of actual time-frames to calculate eligible personnel costs**

Calculating personnel costs on the basis of the previous financial year may lead to financial losses, as this does not allow for any salary adjustments.

### What else could be done to allow you to use institutional cost accounting practices for Horizon 2020 projects? (2)

\*The following table summarises the qualitative information provided by several respondents in answer to this open-ended question.

#### Summary of recurrent topics

##### **Adopt a trust-based approach**

Beneficiaries call for the adoption of a trust-based approach, especially for institutions with a proven history of successful Framework Programme participation. Increased trust could include broader reliance on the rigorous internal controls and external audits already implemented at national and institutional level.

##### **Improve the procedure for reimbursing costs of internally invoiced goods**

The Annotated Model Grant Agreement allows 'unit costs for internally invoiced goods' to be reimbursed according to institutional accounting practices. However beneficiaries are required to exclude all cost elements that are ineligible under the Grant Agreement, even where these are included in their usual unit cost accounting methods.



### Select testimonies

#### *University of Ljubljana – Time Allocation*

It would be helpful to further simplify the methods used for time recording and time-sheets. The INTERREG EUROPE programme uses a declaration where an individual spends a fixed percentage of time working on the project. Time-sheets should only be used for people who work on a project on an hourly basis, or who dedicate a different percentage of their time to a specific project every month (flexible number of hours per month). Even in this last example, time-sheets could be simplified to exclusively record the time spent on the project or be replaced by a declaration (e.g. the researcher dedicated XX hours to this project over the project duration/reporting period).

#### *Stockholm University – Personnel Cost Calculations*

**Financial reporting currently** requires a lot of tedious manual calculation as Horizon 2020 rules do not coincide with the way in which costs are calculated using our financial system. Other cases, for example projects funded by the national research agency, make it possible to extract salary costs easily from the financial system for reporting. However, Horizon 2020 projects require us to manually calculate the staff costs for each person according to the personnel cost rules, and then to divide these amounts into work packages to enter in the financial statement. This **process takes a lot of time and is not an eligible project cost**.

The **financial reporting for Marie Skłodowska-Curie Actions (MSCA) has been improved and simplified**. As the budget and reporting are based on unit costs and person months, there is no confusion about how or what needs to be reported.

### 2.2. Key Findings

- Recent changes to the Model Grant Agreement allow a certain degree of acceptance of university accounting practices, however evidence shows that participants struggle with implementation, particularly concerning personnel costs and internal invoicing.
- Universities would like improved procedures for accepting institutional personnel cost calculations.
- Universities would like to be able to extend the acceptance of institutional cost accounting practices to all cost types, including the methodologies used to record time and calculate productive hours and hourly rates.
- This could be achieved through adequate and transparent procedures to certify institutional personnel cost calculations or nationally accepted university accounting practices.

### 3. Lump Sum Funding

*Lump sum funding is based on the grant of a total contribution deemed to cover:*

1. *All of the project/action costs*
2. *All of a specific category of project costs*

*Beneficiaries are not obliged to identify actual eligible costs or provide supporting documentation (such as accounting statements) to justify lump sum expenditure.*

*Horizon 2020 currently allows lump sum reimbursement for certain project cost types. The Commission is considering whether to expand the use of lump sums to finance entire actions/projects under the next Framework Programme.*

In line with its Budget Focused on Results priority, the Commission supports **wider use of lump sum grants to finance entire actions/projects**.

Lump sums are seen as having the **potential to reduce the administrative burden** by keeping the **project focus on research and innovation**, enhancing impact and lowering the error rate. Lump sum funding aims to shift the focus from inputs (i.e. costs incurred) to **monitoring performance and outputs**, covering the entire project life cycle, including new ways to carry out ex-post audits.

The Horizon 2020 Work Programme for 2018-2020 established the **Lump Sum Pilot**. This pilot will test lump sum funding in 2018. It will then be evaluated with a view to implementing it in the 9<sup>th</sup> Framework Programme. The pilot will test two options: a project lump sum fixed by the Commission and a lump sum defined by applicants in their proposal.

### Lump Sum Funding

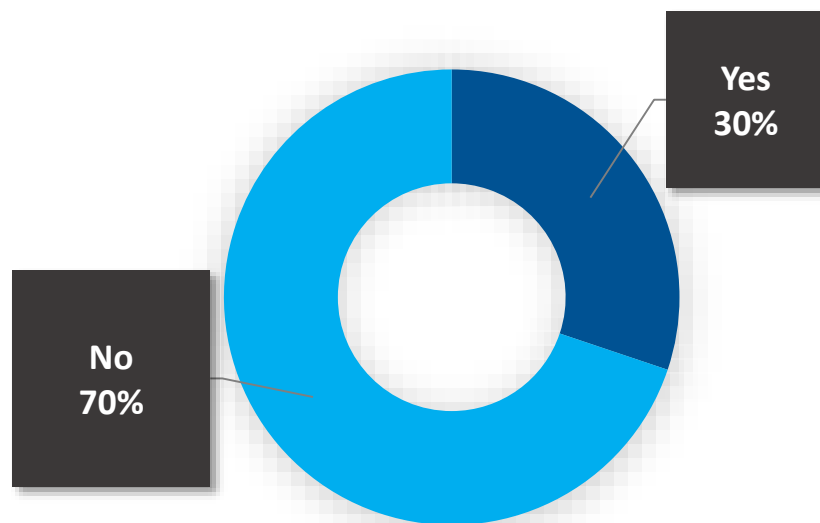
**Horizon 2020 allows for the lump sum reimbursement of certain cost types** - (mainly) for coordination and support actions (CSA) and (exceptionally) research and innovation actions (RIA) or innovation actions (IA), where the work programme/call establishes the lump sum option. There can be single or multiple beneficiaries for all such actions.

Participants have been asked to provide **feedback about their experience of lump sum reimbursement** of certain cost types under Horizon 2020 projects and to explore the **potential benefits and drawbacks of extending the use of lump sums under the next Framework Programme**.

### 3.1. Experience of lump sums under Horizon 2020 projects

Does your institution have any experience of Horizon 2020 lump sum funding?

Total respondents, n=63/69



Most respondents were not familiar with this simplified cost-reimbursement option for Horizon 2020 projects.

Low levels of experience with this funding option and confusion between lump sums available for reimbursing certain cost types or used to fund a whole project may explain respondents' divided opinions about future use of this funding option.

Figure 4. Experience of lump sum reimbursement under Horizon 2020 projects

### 3.2. Advantages and disadvantages of lump sum grants

#### What are the potential benefits of lump sum grants?

Total respondents, n=69

When asked about the theoretical advantages of an extended use of lump sums, 71% of the respondents believed that they would reduce project proposal preparation workload. This statement was qualified in answers to open-ended questions.

Half of the respondents believed that lump sums could avoid the calculation of total eligible costs and allow more flexible financial management within the consortium.

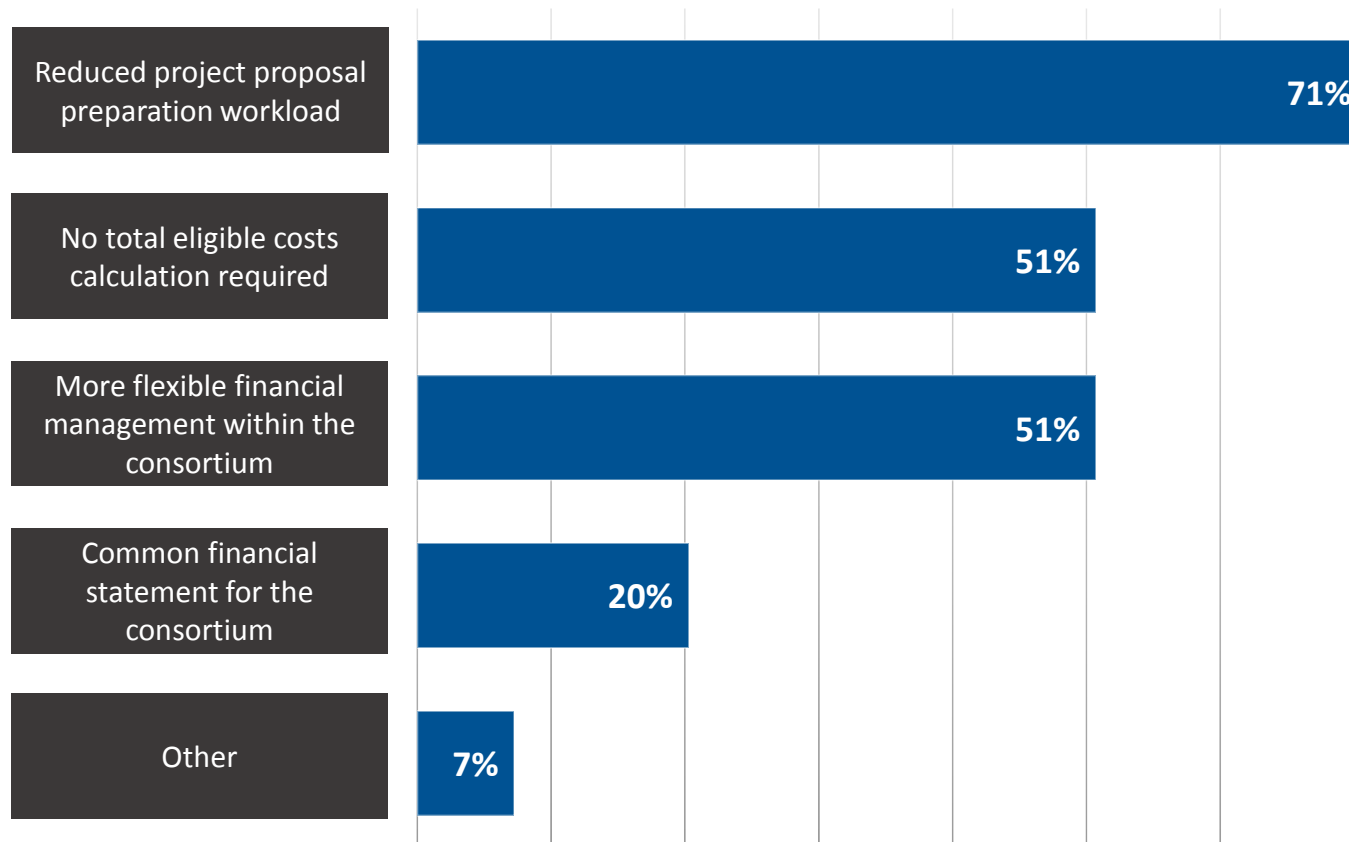


Figure 5. Advantages of lump sum grants

### What are the potential disadvantages of lump sums grants?

Total respondents, n=69

Most respondents were concerned that extended use of lump sum funding could affect the financial sustainability of their activities.

Half believed that lump sums could cause difficulties assessing consortium partner performances.

Additional disadvantages related to reduced transparency within the consortium and vis-a-vis the funder.

Qualitative information also revealed that the introduction of a common financial statement for the entire consortium was perceived as a threat to individual partners' financial liability.

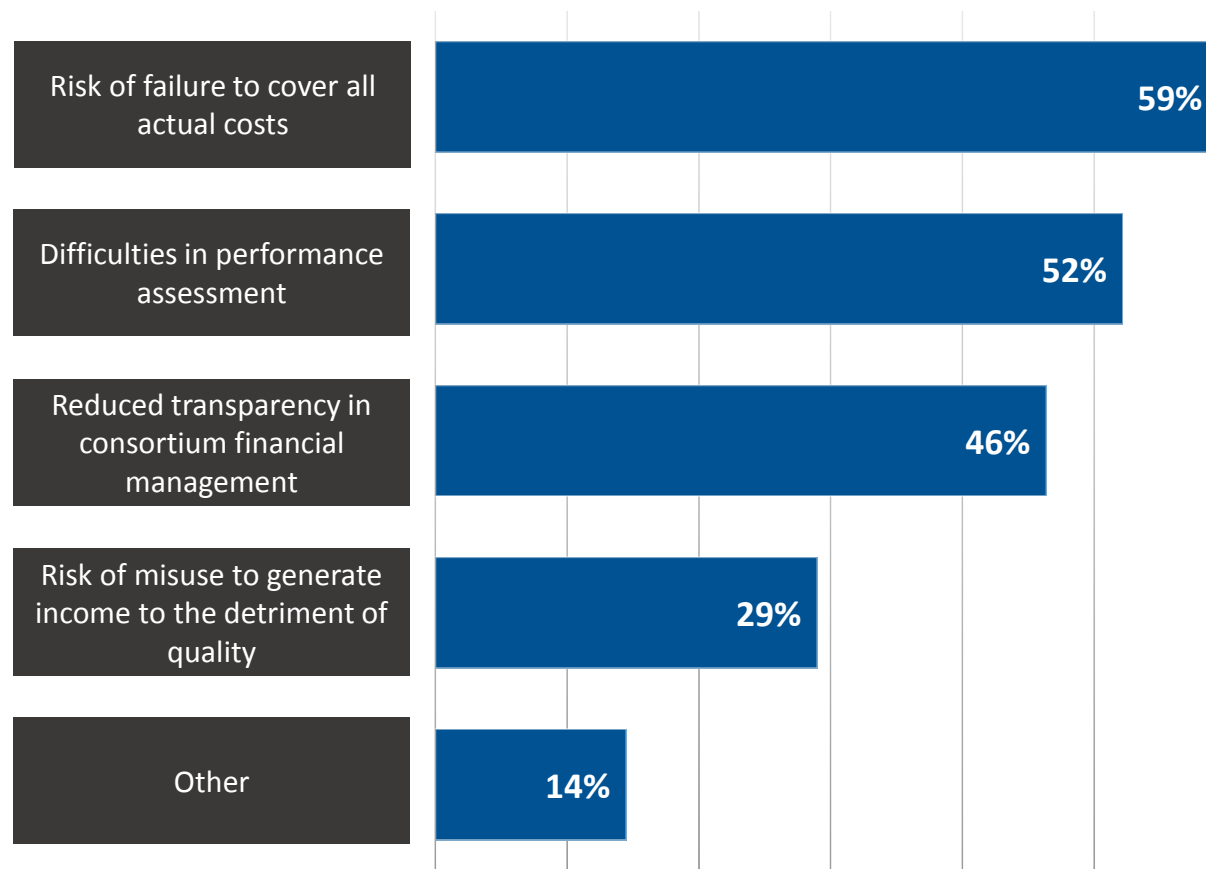




Figure 6. Disadvantages of lump sum grants

### Summary of the advantages and disadvantages of lump sum grants

 Advantages		 Disadvantages	
Reduced project proposal and preparation workload	71%	Risk of failure to cover all actual costs	59%
No total eligible costs calculation required	51%	Difficulties in performance assessment/ higher risk of non-compliance	52%
More flexible financial management within the consortium	51%	Reduced transparency for partners and funder in consortium financial management	46%
Common financial statement for the consortium	20%	Risk of misuse to generate income to the detriment of quality	29%



### Thoughts on extending the use of lump sums under Horizon 2020 and the next Framework Programme

#### Open questions

Quantitative and qualitative information shows a certain degree of alignment in opinions about the simplification of financial reporting, additional risks related to partners' financial liability and the financial sustainability of the scheme.

Although answers to closed questions reveal that the reduced preparatory workload is seen as a major benefit, the qualitative information highlights that budgetary planning would be required to define the amount needed to fund the project activities in the project proposal.

#### Summary of recurrent topics

Additional preparatory phase workload

Need for further testing before wider implementation

Simplification of financial reporting

Increased risks related to partners' financial liability

Risks related to the adoption of an output-based approach

Need for greater clarity about audit requirements

Different price levels across Europe

Financial sustainability of the scheme

### What could be done to improve the use of lump sum grants for Horizon 2020 projects?

#### *Ghent University*

Lump sum payments need to be based on each partner's **work package level and calculated according to** clearly defined criteria proving that the expected tasks have been completed. [...] The lump sum scheme will certainly **shift the workload** from financial managers/controllers **to researchers**.

#### *CEITEC Masaryk University*

The simplicity of the lump sum is obvious, but when used for more complex actions it may give rise to significant problems relating to the particularities of specific countries and actions. We would rather use real costs (using **standard university practice as an eligibility rule**) than the current, overly complex staff costs system.

#### *University of La Rochelle*

Only two project calls **for proposals** are concerned by the Horizon 2020 lump-sum funding pilot - too few to allow conclusions for the forthcoming Framework Programme. It might be worth **extending the pilot to more calls** in order to obtain a more representative sample. This would also be an opportunity to test the lump sum on more complex projects, i.e. with numerous partners or a significant budget. It would provide the European Commission with enough **evidence** to decide whether to include lump sums in the Framework Programme.

### 3.3. Key findings

- Respondents have limited experience of lump sums under Horizon 2020. As a result, they are divided about how this form of funding should be used in future.
- Most respondents are cautious about extending the use of lump sums to finance entire actions and projects under the Framework Programme. Lump sum funding should therefore only be offered as an option to beneficiaries willing to test this scheme.
- Respondents' main concerns relate to:
  - Partner financial liability
  - Financial sustainability and complete coverage of project costs, including timing of payments
  - Reduced transparency for quality assessment
  - Shifting the workload from financial managers to researchers
- This shows that further testing is required.

## 4. Cascade Funding

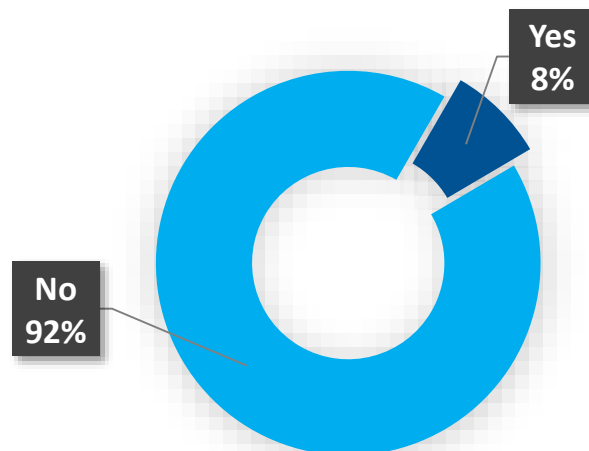
### 4.1. Experience of cascade funding

*The Horizon 2020 Work Programme: ICT 2018-20 allows the use of financial support for third parties (FSTP) or 'cascade funding' for large-scale piloting and ecosystem building activities.*

*This scheme allows part of the consortium budget to be set aside for third parties (entities that are not part of the consortium) through an open call for proposals or as competition prize. A call is published for a consortium that itself then publishes different calls for a specific target group.*

#### Experience providing financial support to third parties under the FP

Total respondents, n=61/69



#### Experience as a third party beneficiary of funds distributed by a consortium

Total respondents, n=58/69

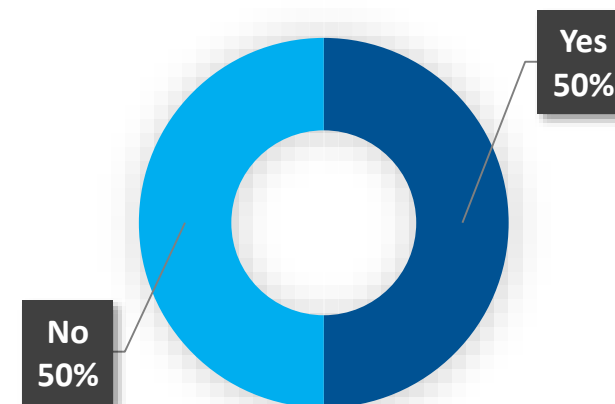


Figure 7. Respondents' experience of cascade funding under Horizon 2020

Respondents were asked about their experience of and satisfaction with cascading grants, both as coordinators and beneficiaries under the Framework Programme. Only a few respondents had managed a cascading grant, whereas half had received funding as a third-party beneficiary.

### How satisfied were you with this experience?

Total respondents, n=29/69

Respondents widely agree on the efficiency of eligibility conditions and reporting procedures under this scheme. Their perceptions of the availability of information and fair competition were mostly positive. This statement was qualified in answers to open-ended questions.

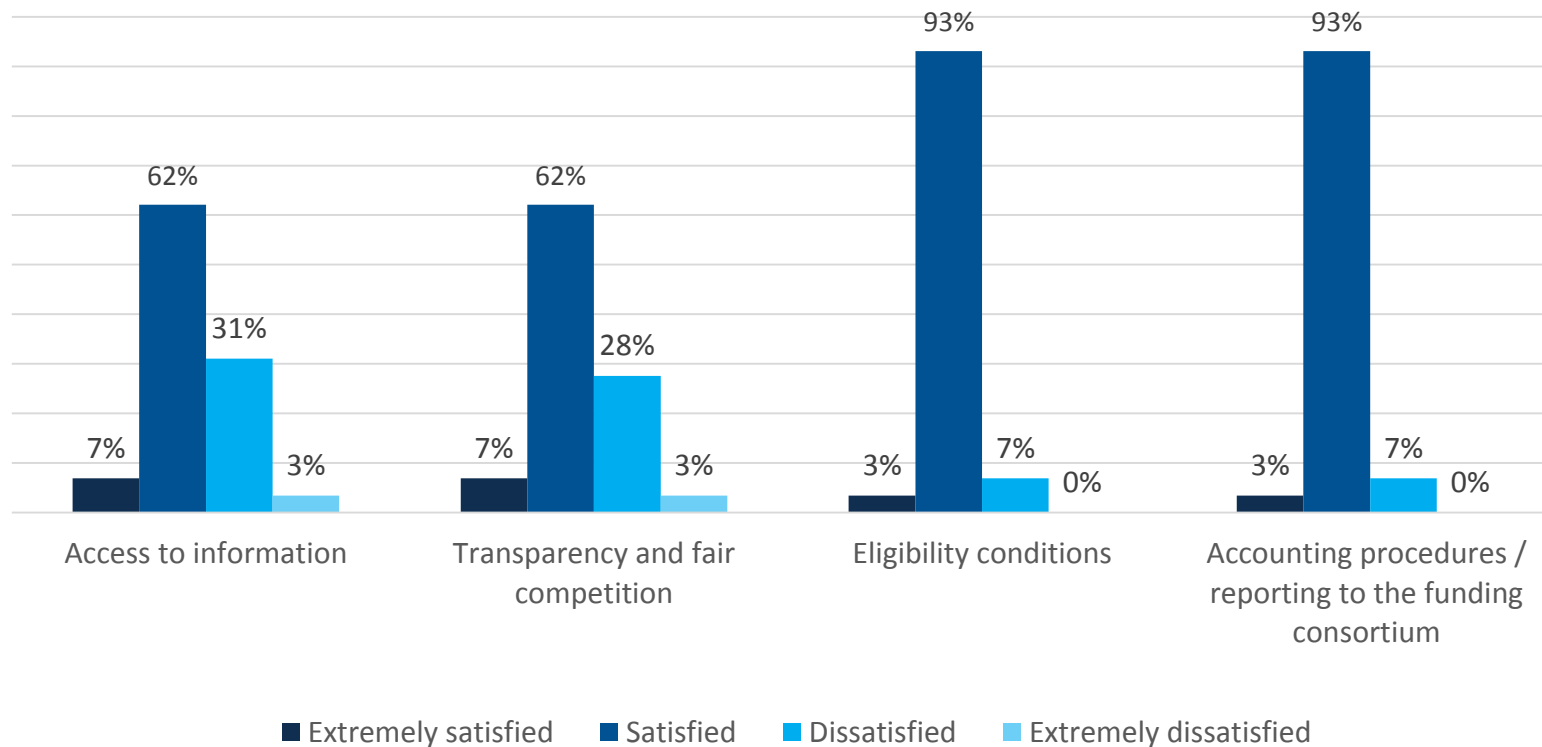


Figure 8. Level of satisfaction as the beneficiary of a cascading grant from a consortium

### 4.2. Suggested use of cascade funding under the Framework Programme

How should cascading grants be used under Horizon 2020?

Total respondents, n=54/69

63% of respondents believe that in future, cascading grants should either be abandoned or limited to specific actions (e.g. IA and CSA).

Specifically, respondents were unhappy about:

- The shift of responsibilities and administrative burden from the consortium to the project coordinator
- The lack of clear guidance on how to use the scheme

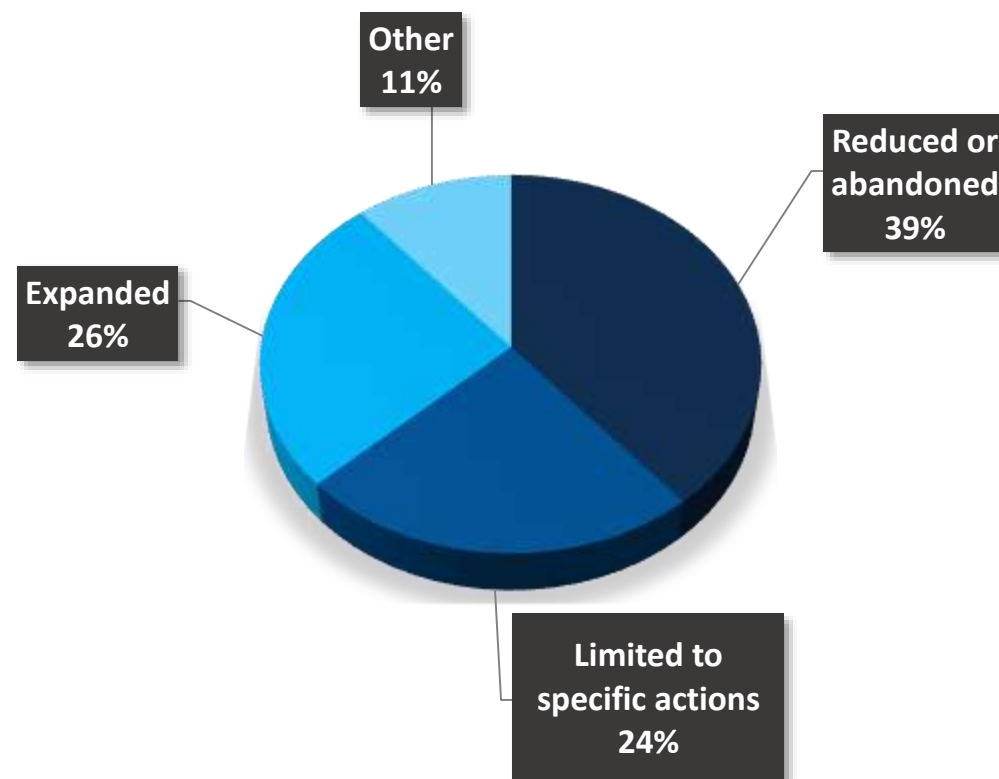


Figure 9. Suggested use of cascading grants under the Framework Programme

### Additional views on cascading grants under Horizon 2020

#### *Anonymous University in Germany*

Who is responsible for work done by a cascading grant recipient? The project coordinator? Another beneficiary responsible for managing these grants? It might sound like a good idea for increasing the flexibility of project implementation, but in fact it is more of a **simplification for the European Commission** than for the consortium.

#### *CEITEC Masaryk University*

We have projects under one MSCA-COFUND. The grant set-up is fine, but the co-funder (in our case a regional authority) added an extra set of financial management rules on top of the European Commission rules, which makes implementation **administratively complicated**. In some cases, the use of joint programming ERA-NETs, significantly **limits grant access**, as these are not submitted and managed through the Participant Portal, which can make it hard to find information about the calls.

### 4.3. Key findings

- Respondent universities have limited experience of coordinating cascade funding.
- Most see limited value in this instrument and believe it should be abandoned.
- Participants are particularly concerned by the lack of clear guidance on how to use the scheme and believe that it creates an extra administrative burden and additional financial responsibility for consortium coordinators.
- Cascading grants may also harm fair competition and create additional barriers to accessing the Framework Programme.



## 5. Additional Remuneration for Personnel Costs

### 5.1. Experience of additional remuneration under Horizon 2020 projects

Total respondents, n=68/69

*‘Additional Remuneration’ means any part of the remuneration that exceeds what the person would be paid for time worked on projects funded by national schemes. The Commission aims to ensure that personnel costs under Horizon 2020 are at least at the same level as for nationally funded projects.*

Results show very limited use of this mechanism, even when respondents are located in countries that may be particularly interested in this instrument due to the structure of researcher pay.

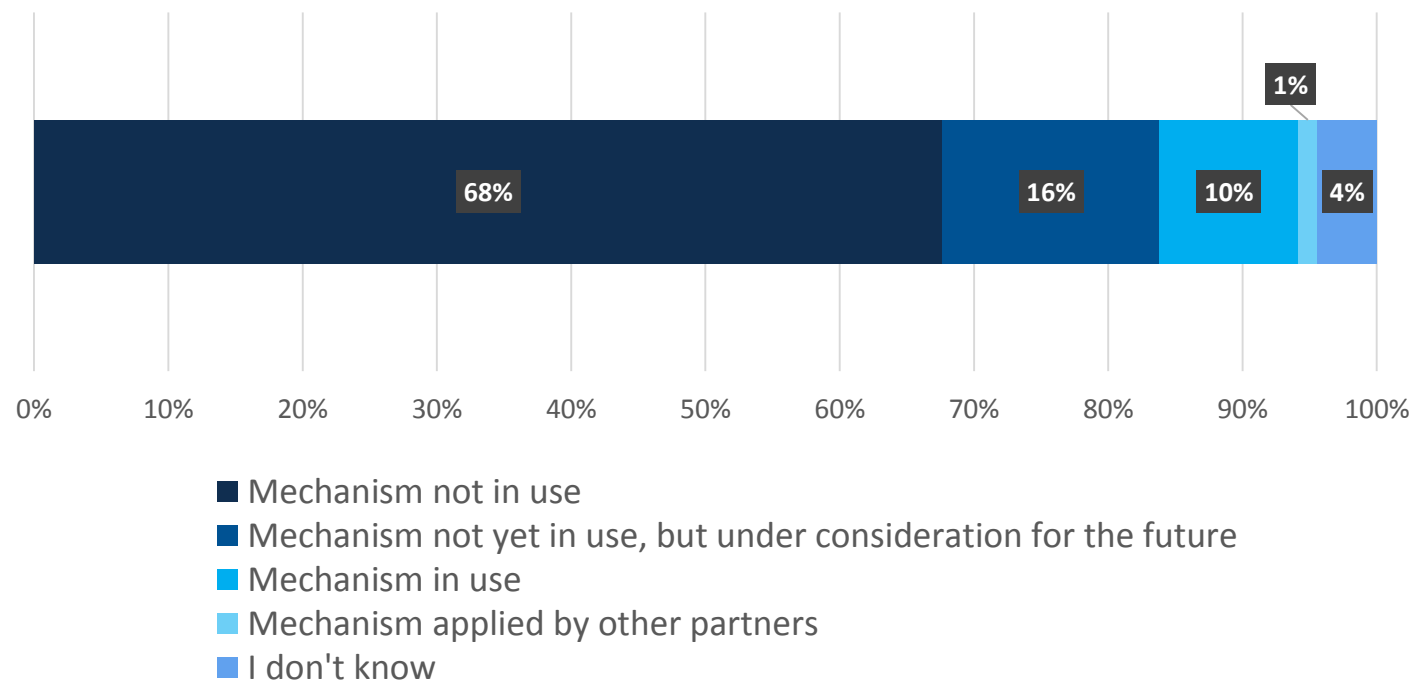
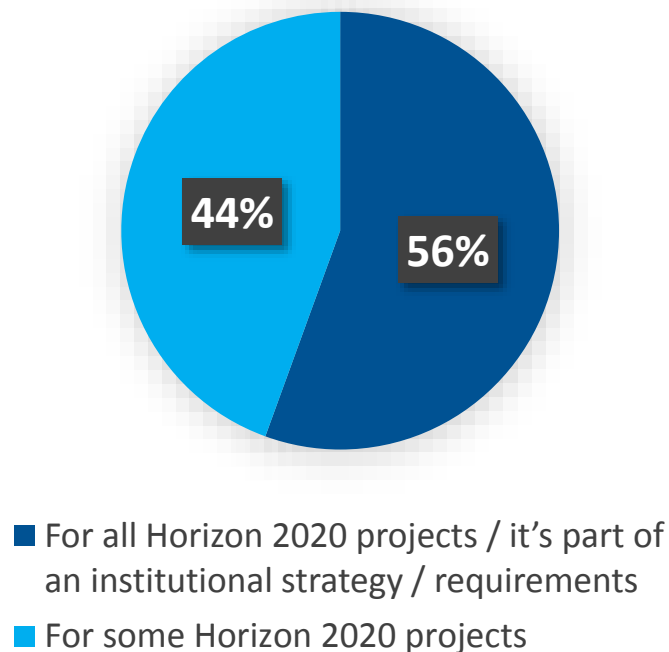


Figure 10. Experience of additional remuneration for personnel costs

### How do you use the Horizon 2020 additional remuneration scheme?

Respondents, n=9/69



Universities that use the additional remuneration scheme are currently almost equally divided between those with a structured institutional strategy and those that apply the scheme to Horizon 2020 projects on an ad-hoc basis.

**Figure 11. Institutional additional remuneration strategies**

### How satisfied are you with the additional remuneration scheme?

Respondents, n=9/69

Respondents that have used additional remuneration are clearly dissatisfied with the scheme's calculation methodology and eligibility conditions. However, perceptions of €8,000 pro-rata amount are clearly more positive.

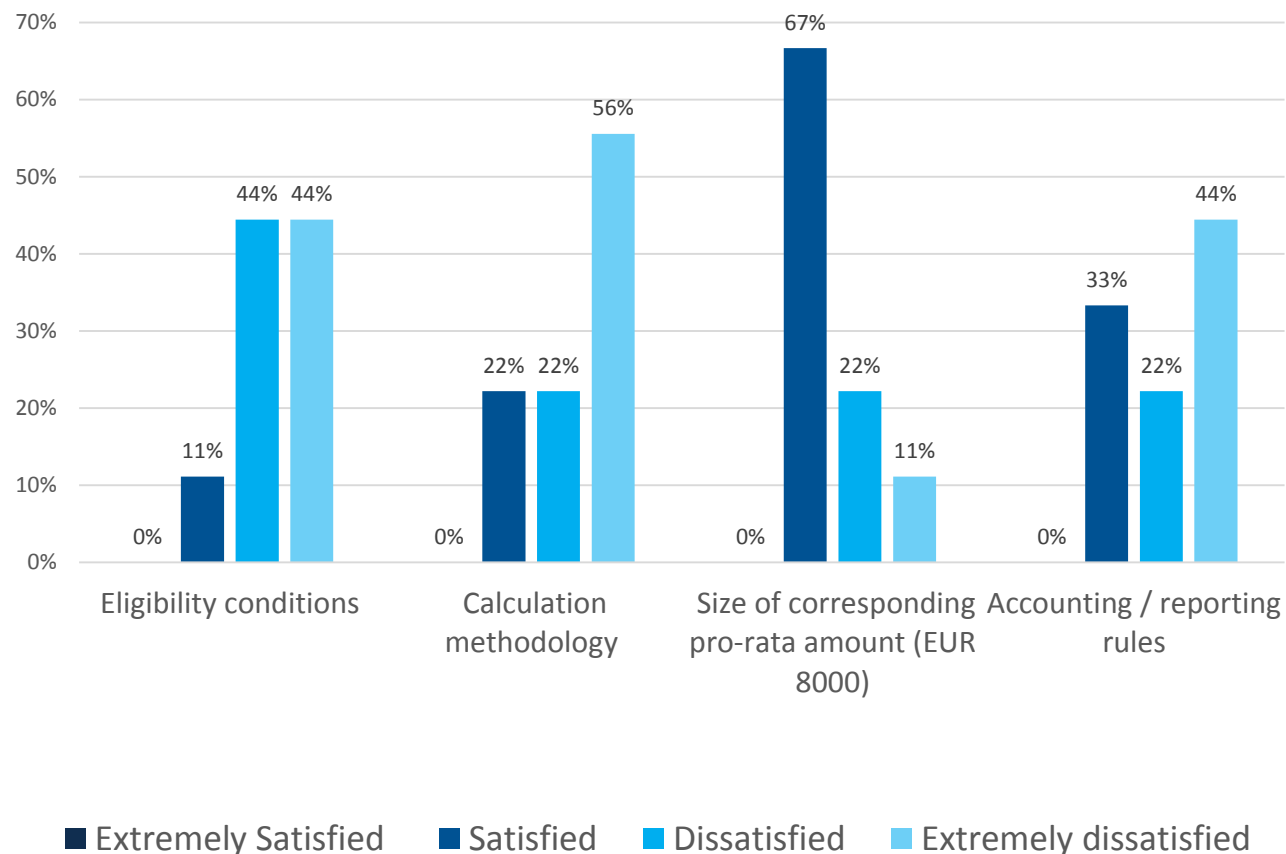


Figure 12. Respondents' level of satisfaction with the additional remuneration scheme

What challenges did you experience implementing this scheme?

### Challenges Experienced

Lack of consistency between different EU funding programmes

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Unclear guidance and complicated calculations create fear of systematic errors and penalties

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Eligibility conditions do not comply with national remuneration rules

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Institutions unaware of the scheme or inexperienced in its application

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### 5.2. Suggested use of the additional remuneration scheme

How do you think this scheme can be improved?

Open question

#### Summary of recurrent topics

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Abandon the scheme

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Review eligibility conditions

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Review the minimum coverage of additional remuneration

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When asked about ways to improve the scheme, several respondents spontaneously suggested abandoning it. Respondents also suggested reviewing the eligibility conditions in line with the challenges experienced.

### Recommendations for future of the additional remuneration scheme

#### *CEITEC Masaryk University*

The **terminology** used is unclear and unfit for specific national **conditions**. The set-up actually requires changes to our institutional practice to be able to meet eligibility conditions - we do not use remuneration categories equivalent to those defined in the H2020 guidelines. Frequent changes to H2020 staff cost rules clearly show that the current concept does not work and, so far, attempts to explain/streamline them have not helped.

#### *Anonymous University in Poland*

We performed an **internal audit** to establish the **average national funding threshold** in order to be able to apply the additional remuneration scheme. If this goal is achieved, the university will create a statute to issue a uniform policy and regulation.

#### *University of Trento*

Simplify the additional remuneration rule and allow **all researchers with salaries below a certain threshold** to receive additional remuneration without any other conditions or criteria. Another option would be to provide Marie Curie salaries to all researchers with salaries below a certain threshold (using different levels of unit cost for early-stage researchers, advanced researchers etc).

### 5.3. Key findings

- Respondents have limited experience of the additional remuneration scheme, mainly due to conflicting national remuneration rules and the lack of clear guidance on how to apply it.
- Respondents that have used the scheme are generally dissatisfied with its eligibility criteria, calculation methodology and accounting/reporting rules.
- Several respondents suggest that the scheme should be abandoned or that the eligibility criteria should be simplified under the next Framework Programme.

### 6. EUA Recommendations



#### *1. Embrace a trust-based approach*

Universities are established institutions with professional financial management procedures. These practices are also extensively regulated and audited at national level, making universities a unique, reliable partner in the EU funding landscape.

Embracing a trust-based approach would help reduce the lack of alignment between EU funding requirements and institutional financial management systems, as well as the corresponding risk of errors, and would acknowledge the **diversity of beneficiaries and actions**.

#### *2. Improve acceptance of institutional accounting practices*

Previously, the main simplification narrative stated that a single set of rules for all beneficiaries was more effective, more transparent and simpler. While this approach does improve readability across various EU funding sources, it does not give enough consideration to the fact that simplification should be about enhancing financial sustainability through a more efficiently managed programme, and avoiding the diversion of resources into secondary processes.





Such simplification is best achieved through **wider acceptance of university accounting practices in areas that include cost eligibility, recording time, productive hour calculations and hourly rates.**

**The possibility to use beneficiaries' institutional cost accounting practices remains too limited under Horizon 2020.** Therefore, the 9<sup>th</sup> Framework Programme should make the following **options** available:

1. The acceptance of national accounting practices developed by the university sector in several European countries (e.g. DK, FI, IE, NO, SE, UK).
2. Adequate and transparent certification of institutional methodologies at the start of the 9<sup>th</sup> Framework Programme.
3. An improved model based on existing Horizon 2020 procedures (including simplification of unit cost calculations, staff category differentiation using a country coefficient based on PPP) that would allow beneficiaries to select the option best-matched to their own processes.



### 3. New forms of funding

*Beneficiaries should be able to choose from options* allowing participants to maintain successful Horizon 2020 procedures.

*These should:*

- *Reduce the administrative burden*  
Simplified funding methodologies like lump sums may help reduce the administrative burden in the reporting stage, but create additional proposal and auditing work.
- *Ensure fair competition and accessibility through improved eligibility criteria*  
A platform for sharing information about cascading grants could address the risk of further limiting Framework Programme access and unfair competition.
- *Reduce consortium coordinators' financial liability for other consortium partners*  
Improve cascade funding by reducing coordinators' financial responsibility. This is also relevant for lump sum grants, which could reduce the transparency of consortium financial management.
- *Provide clear guidance on how to use the scheme*  
Information proliferation or unclear guidance may discourage participants from using the scheme (e.g. additional remuneration), and increase error rates.



### *4. Improve synergies across EU funding programmes*

Universities have first-hand experience of managing various types of EU funds. As a result of their involvement in diverse regional, national and European schemes, universities must comply with various funding programme rules. Greater vertical alignment between European, national and regional programmes and greater horizontal alignment between EU funding schemes would significantly reduce the administrative burden and increase the efficiency and impact of EU funds.

### *5. Need for consistent rule interpretation and implementation*

The lack of certainty and related issue of divergent rule interpretation creates a challenging environment. Different audit-stage interpretations may also lead to errors and penalties that can even discourage further participation in the Framework Programme. Improved guidance and institutional methodology certification would help reduce this uncertainty.

### Glossary

**Actual costs:** identifiable and verifiable, incurred costs, registered in the accounts.

**Additional remuneration:** any part of the remuneration that exceeds what the person would be paid for time worked on projects funded by national schemes. The Commission introduced the Additional Remuneration scheme to ensure that Horizon 2020 personnel costs are at least at the same level as for nationally funded projects.

**Cascade funding:** a scheme that allows part of the consortium budget to be set aside for third parties (entities that are not part of the consortium) through an open call for proposals or as a competition prize. Known as Financial Support for Third Parties (FSTP) or Cascade Funding, it is mainly used for large-scale piloting and ecosystem building activities.

**Flat rate:** a fixed percentage of the eligible costs.

**Internal invoicing:** procedure to reimburse goods and services (e.g. chemicals stocked by the beneficiary rather than bought from an external supplier) used for the specific purposes of the project.

**Level of error:** estimate of money that should not have been paid out by EU funders as it was not spent in compliance with the rules. Such irregularities are often administrative and mainly relate to the reimbursement of ineligible costs. Such errors do not usually undermine project outcomes.

**Lump sum:** a fixed amount designed to cover one or several cost categories (e.g. phase 1 of the SME instrument).

**Lump sum grants:** a fixed amount of funding awarded to cover all action costs or a specific category of action costs. Beneficiaries are not required to identify the actual eligible costs or provide supporting documentation (such as accounting statements) to prove the amount covered by a lump sum grant.

**Unit costs:** a fixed amount per unit defined by the Commission (e.g. SME owners' unit costs) or the average staff costs defined by a beneficiary on the basis of standard accounting practices.

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- [Financially Sustainable Universities. Full Costing: Progress and Practice](#)
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- [Taking simplification of EU funding to the next level. The university perspective](#)

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