L E
R U

LERU note

April 2011

Administrative costs for managing grants under the 7th Framework Programme for Research and Technological Development (FP7)

This note[1] is a summarised response from the LERU European Research Project managers Community (ERP) to the recent EC consultation "Administrative costs for managing grants under the 7th Framework Programme for Research and Technological Development (FP7)". The aim of the EC consultation was to collect evidence on the administrative effort in FP7 projects in order to consider scenarios for simplification under the next funding period starting in 2014[2].

LERU has previously published advice papers on the simplification of the Framework Programme[3]. The perspective taken here is primarily administrative, although as ERP members' responsibilities within their own institutions vary, it has been possible to take many different perspectives into account. Due to LERU institutions' breadth of experience in FP7[4], the views given represent a summary of total experience across the Programme, rather than concentrating on specific projects.

In a first part of this note, a summary of this experience and recommendations for simplification are given, divided per project phase:
1. Preparation and submission phase of the proposal
2. Negotiation phase of the project
3. Grant management phase and project reporting
4. Auditing phase

In a second part, simplification options for the future EU research and innovation programme are discussed. Finally, in a third part, some intellectual property issues are addressed.

---

1   The note is based on a consultation among the LERU Community of European Research Project Managers (ERP). The main author of the note is James Lloyd, Contracts Administrator (Europe) at Imperial College London.
2   All the questions of the EC consultation are listed in an appendix at the end of this note.
3   (1) http://www.leru.org/files/publications/LERU_Advice_paper_FP8_final.pdf
    (2) http://www.leru.org/files/publications/Research_Funding_Note_final.pdf
4   Together, LERU institutions are involved in almost 2,500 FP7 contracts so far.

FP7 grant management – Administrative burden in different phases

Project step 1 – Preparation and submission of the proposal

Continue to improve the accessibility of information

The consensus amongst ERP members is that the effort involved in identifying a call or topic varies according to the circumstances: researchers new to EC funding have problems and need more support; proposals fitting easily into one field are easy to find, but multidisciplinary topics are more difficult. There is a feeling that the Commission could improve their systems to make this easier, both by simplifying the layout of the Work Programmes, which have too many narrowly defined topics, and by modifying Cordis, which researchers new to Framework funding find hard to navigate.

Develop an SME database

In most cases, researchers tend to have existing contacts around Europe whom they can engage as project partners, so the process of finding partners and organising a consortium is usually not time-consuming at an administrative level. On occasions where partners from other sectors are required, things are more difficult. Many administrators need to put researchers into contact with National Contact Points and other agencies to carry out partner searches, with varying degrees of success. Concern is expressed by some respondents that involving partners found via this route is risky, as there is no way of judging their quality.

Allow more two-stage proposal submissions

Development of the proposal takes a significant amount of time. The LERU group provides support on non-scientific issues in the proposal (e.g. management structure, impact) and assistance with applications, with some institutions providing a 'helpdesk' service for writers. Most note that the level of effort is relatively low as a partner at this stage, but as coordinator the effort increases hugely, with many reporting that total administrative time spent runs into several months. LERU finds that two-stage proposals had a positive impact on the amount of time committed, which is less than in single-stage proposals. There are some caveats to this: the time allowed for preparation of the second-stage proposal is seen as very short. One ERP member is aware of work on the second stage starting immediately after submission of the first stage, which defeats the object of the scheme. Others report that administratively, two-stage proposals can create more work, as some EPSS[5] details must be filled in at both stages. The solution is to ask for full details from all participants at stage one and to reduce the detail required in Part B at the second stage.

Extend the Unique Registration Facility

Most respondents are familiar with EPSS and feel it to be efficient, although it occasionally suffers from technical issues (e.g. server slowdown around call deadlines, incorrect display of LEAR[6] data, incorrect budget tables, etc.). Several asked whether, to avoid further duplication, it would be possible to include reimbursement rates and signatory data in the URF[7], which NEF[8] could then use to auto-populate the application forms.

---

5   EPSS stands for Electronic Proposal Submission Service.

6   LEAR stands for Legal Entity Appointed Representative.

7   URF stands for Unique Registration Facility.

8   NEF stands for Negotiaton Forms. It is an online tool which allows FP7/CIP research projects' candidates or beneficiaries to enter data required by the EC for the production of the Grant Agreement.

It was also proposed that the LEAR should have access to all his/her institution's proposals. Most found initial registration on the URF simple, although those that had updated their details afterwards found that process to be slow and less transparent. In general, the URF system should be extended to and accepted by all funding programmes from all EC Directorates-General of the research family.

Project step 2 – Negotiation of the project and Grant Agreement signature

Extend the use of the Negotiation Forms system (NEF)

Response to the NEF system is generally positive, although more people report problems with it than with EPSS; it is also more complex to use. LERU finds that there is significant duplication as Work Package tables already appear in the Annex I to the Grant Agreement, but also have to be copied into NEF – this requirement should be removed to save administrative effort. Another major issue is that only the Principal Investigator (PI) is given access to the NEF system, whereas it is generally up to the administrators to complete many of the forms. Giving automatic access to the LEAR and/or another named representative whose details could be logged in the URF would solve this problem.

Move towards electronic signature

Authorisation and signature of GPFs[9], Grant Agreements and Accession Forms is not a major issue for most LERU institutions. However, several institutions mention the process can be confusing, as there is variation between Project Officers' instructions as to when different documents are required. Standardisation would be welcomed in this context. Several institutions also feel that a further move towards electronic signatures or approvals, as used by several national funding bodies, would see a real reduction in administrative effort at this stage.

Harmonise implementation of rules and guidelines across all internal and external bodies

The other main issue raised at negotiation stage is that the ERC REA increasingly requires much more detailed information than in any other area of FP7. Since these projects are run under similar rules to the rest of FP7, the need for this is unclear. Moreover, as they will be audited anyway, this approach amounts to both an ex-ante and ex-post system of control. To avoid the work this generates, it should be brought in line with the other schemes.

Project step 3 – Grant management and project reporting

Accept the institution's usual accounting practices

LERU institutions have had to make some changes to their accounting systems to deal with FP7 funding rules, the most common being the adoption of systems to ensure timesheets were completed, which most other funders do not require. Simplification of this requirement, or indeed the total removal of the requirement for timesheets would therefore be welcomed for future programmes. Many also report that they have had to take steps to ensure ineligible costs such as VAT are removed from project accounts, which takes considerable effort.

---

9   GPF stands for Grant agreement Preparation Form.

Ensure harmonised interpretation of rules

As regards project reporting, most respondents find that the process of producing a Form C is extremely time-consuming. There is also concern as to how this relates to the management reports, because it involves duplication of effort and because there is no usable definition of what the 'major cost items' might be. This leads to differences in interpretation between Project Officers, with some asking for an explanation of every item of expenditure. The Commission's systems for reporting are easy to use, but many LERU members find that the variety of them is confusing, even though access has been improved with the development of the Participants' Portal.

Ensure stability of rules

LERU institutions report that they operate systems of compliance training for FP7; the complexity of the rules makes this an effort-intensive process. Training needs to exist both for the researchers who are undertaking FP7 projects and for the administrators who are responsible for monitoring expenditure and producing financial reports. The changes in Commission rules from year to year (such as the annual update of correction coefficients for Marie Curie fellowships) mean that training is an ongoing activity throughout the Framework Programme.

Streamline bilateral contacts with EC

Interaction with Project Officers (POs) during a project is a major use of administrator time, particularly when acting as project coordinator. Most Project Officers are seen as helpful, although there are again variations between them in the amount of information that they require on various aspects of the project, with a tendency in some cases to try and "micromanage" their projects, which creates a burden on administrators. Common issues that required interaction with POs were queries on expenditure and eligibility of costs, interpretation of rules and requests for amendments to the Grant Agreement. Regarding Amendment requests, LERU members find that the Guide to Amendments, as well as online systems, are useful, but that the process can be overly formal. It is also noted that the existing templates do not cover all eventualities, in which case it can be very difficult to understand exactly what is required. The process of moving coordination of a project to a different institution is also not easy to handle with the existing systems and should be addressed in future. Greater use of electronic systems to initiate the Amendment process would be a step forward in terms of simplification.

Project step 4 – Auditing of the project

Refrain from project-specific audits; accept the usual institutional control practices and audits

The large majority of LERU institutions have been through a Commission audit on a Framework 7 project. The administrative effort involved in terms of both preparation and interaction with the auditors whilst they were present were considerable, with many reporting that it ran into several person-weeks. The main tasks were gathering the relevant project documentation prior to the visit and following up on queries post-visit, which in some cases were extremely onerous – for example, having to contact students who had left the institution several months before. Those who had received a final audit report found that it had taken an extremely long time to arrive – on average around six or seven months, with one reporting a delay of two years between audit and report. Respondents find it difficult to understand why such long delays might occur. Again, consistency is seen as a problem with auditors, with varying approaches being applied by different individuals. LERU would find it useful to have a transparent set of auditing criteria in order to be clear what is going to be examined.

Universities are very commonly controlled and frequently audited by a multitude of governmental agencies and auditors. This means that in general, our accounting practices are consistent with the general requirements on

EU funding as laid down in the Financial Regulation, the implementing rules and the rules of participation of the different programmes. We call on the EC to accept such ex-ante audits of internal procedures and control systems, and to award high-trust certificates to institutions that fulfil the EC's requirements.

Simplification options for the future EU research and innovation programme

Scenario 1: Project-specific lump sums for entire projects

LERU has already covered the issue of output-based funding in its paper *Towards an effective 8th Framework Programme for research*[10], published in May 2010. As discussed in that paper, LERU institutions' responses on this suggestion show concerns about the feasibility of use of lump sums for collaborative research projects. The general opinion was that the unpredictability of research meant that lump sums would be too inflexible to cope with the type of changes that happen during the course of a project. Some institutions point out that sustainability of funding is also an issue, as current lump sums tend to fall far short of covering the full cost of an action.

There is a concern that if lump sums were to be used, the negotiation process would become more, rather than less, onerous. A lot of work would have to be done to ensure that the level of funding was appropriate for the work to be done and what the assessment criteria for the project outputs would be.

Reporting under this system would undoubtedly reduce administrative effort, but there are serious concerns from LERU members that this would merely shift the burden to researchers. Under the current system, we are confident that we have the systems in place to comply with the Commission's reporting requirements. Whilst the complexity should be reduced, there is nothing fundamentally wrong with this system. It avoids too much pressure being put on researchers, allowing them to concentrate on the core work of undertaking the technical project tasks. Output-based funding would cause researchers to have to take on new responsibilities that are in addition to their scientific work. This cannot be classified as simplification, as it will inevitably take some of their time away from the very research that they have applied for funding to do.

It is also difficult to consistently quantify project outputs across scientific fields, meaning that this system could be less equitable than a cost-based approach. Similarly, auditing would have to be carried out on the technical, rather than financial, outputs of a project, which would again place a heavier burden on researchers. It is noted that if the time limits for auditing remain the same as they are under FP7 (i.e. up to five years after the project end date), it could be much harder to make a technical evaluation than a financial one several years after the project ended.

As stated in the paper *Towards an effective 8th Framework Programme for research*, LERU would only envision the use of predefined lump sums in very specific circumstances, such as for demonstration projects or under the Competitiveness and Innovation Programme (or its post-FP7 successor).

Scenario 2: Extended use of flat rates, lump sums and scales of units

The feasibility of this proposal is questioned by several institutions. Whilst it generally works well under the Marie Curie scheme, it is felt that extending the scale of unit model to more EC funding schemes could cause

10   http://www.leru.org/files/publications/LERU_Advice_paper_FP8_final.pdf

problems. Many highlighted the example of salary costs, which vary significantly even within countries, making it impractical to attempt to define a "national rate" for salary, even if a country-specific correction coefficient is applied.

Negotiation of grants under this model is thought to be of marginal difference to that under FP7, whereas the management and reporting may be substantially reduced – assuming that no justification would be required for expenditures.

Marie Curie auditing is also generally perceived to be simpler. It is noted that rules would have to be very clear to avoid mistakes and that institutions would have to have transparent guidelines as to exactly what auditors would accept as evidence of the activities having taken place, otherwise there would be a significant risk of costs being deemed ineligible.

Scenario 3: Continuation of the current cost reporting approach but with a simplification of the cost eligibility criteria

The LERU reaction to this suggestion is overwhelmingly that it is the preferred option. There is continuity from the current FP7 regulations, which means that it wouldn't generate the steep learning curve that Scenario 1 and 2 would. There are therefore no major questions over its feasibility, but members do point out that large-scale simplification of the cost criteria as well as wider acceptance of institutions' usual accounting principles are the minimum steps the Commission needs to take.

Negotiation effort for this scenario would be lower, mainly due to the acceptance of usual accounting rules and the fact that new costing rules would not have to be learned at the beginning of the next funding programme. Management and reporting would also see a reduction in effort because of these factors, and would be further reduced if the Commission were to standardise rules across different project types, rather than using the different reimbursement and overhead rates that exist under FP7.

There may be a short-term increase in effort at the beginning of the funding programme as auditors would have to be made familiar with what "standard practice" means for each institution. But overall, auditing would also see a potentially significant reduction in effort once this was established.

The "simplification options" section of the questionnaire asks for examples of funding which are simpler to administer than the EC's Framework Programme. This is discussed in considerable detail in the LERU publication *Research funding - Best national practices for simplification* (February 2011) and therefore such examples will not be included here[11].

Intellectual Property

Continue the FP7 policy on IPR in the next funding programme

LERU institutions report that the intellectual property provisions of FP7 generally work well and are simpler than those in FP6. The general opinion is that current rules should be maintained for the next programme of funding and applied across all project types. Several members report that negotiation over joint ownership of Foreground

---

11   http://www.leru.org/files/publications/Research_Funding_Note_final.pdf

and the conditions for its use are their main IP issues in FP7 projects; when consortia involve industry, negotiations can go on for several months. It is often assumed that industry will be responsible for commercialisation of all project results, but it should not be forgotten that the model of licensing Foreground which is used by many universities is an equally valid means of exploitation. The DESCA[12] template is the preferred model Consortium Agreement and is felt to be more equitable than the alternatives. Something similar will need to be established for the upcoming funding programme. Some LERU members feel that, for the sake of consistency, it would be helpful for the Commission to officially recognise a set of Consortium Agreement templates.

Harmonise IPR across all FP and FP-related programmes

LERU institutions have had experience with JTIs and feel that the IP conditions in particular make negotiation extremely difficult and time-consuming. It is not felt that the IMI terms are fair to universities and most respondents' comments were in line with the *LERU Letter on the Innovative Medicines Initiative (IMI)*, published in September 2010[13]. Some institutions indicate that, due to the heavy burden placed on universities by the requirements on access to Background, thorough checking is carried out prior to application and participation may be halted if the risks are seen to be too great. Whilst the strategic value of involvement is obvious, overall it is felt that conditions must be changed in the future if these schemes are to attract further university participation.

Summary – Main concerns and recommendations

LERU finds that the administration of EC projects is a significant burden in several areas. Its main recommendations are therefore as follows:
- Burden on both administrators and researchers should be eased by simplification of the Work Programmes and by simplifying Cordis, making relevant research topics easier to identify.
- The URF system should be extended to allow further auto-population of data in the EPSS and NEF systems from an institution's standard data.
- A secure system of electronic signatures should be developed in order to minimise the need to send paper documents to both the Commission and project partners.
- Rules and guidelines must be standardised to avoid differing interpretations from agency to agency and Project Officer to Project Officer. These rules should furthermore remain consistent throughout the lifetime of the programme.
- The Commission should move towards further acceptance of each institution's usual accounting practices.
- Intellectual Property rules in future funding programmes should remain as they are in FP7. Any variation in IP rules across funding schemes should be avoided.
- Project reporting should remain cost-based, but with further simplification and standardisation in rules across programmes. Reimbursement and overhead rates should remain at current levels to ensure that participation is sustainable for universities. Where lump sums are used, it should be possible to negotiate the amounts beforehand.

---

12   DESCA stands for Development of a Simplified Consortium Agreement in FP7.

13   http://www.leru.org/files/publications/LERU_Letter_on_IMI_2010_09_02.pdf

Appendix – Questions in the EC survey "Administrative costs for managing grants under the 7th EU Framework Programme for Research and Technological Development (FP7)"

Project Step 1: Preparation and submission of the proposal

- How much working time did your organisation spend studying FP7 documentation for finding a suitable call and topic, and for assessing your eligibility to apply?

- How much working time did your organisation spend to set up the consortium?

- How much working time did you spend to make the arrangements with your host institution?

- How much working time did your organisation spend to find suitable partners/consortium?

- How much working time did your organisation spend to get registered and validated as a legal entity via the Participant Portal/Unique Registration Facility?

- How much working time did your organisation spend for developing the scientific-technical content of your project (part B of your proposal)?

- How much working time did your organisation spend for developing your part of the scientific-technical content of the project (part B of the proposal)?

- Was the call to which you submitted a two-stage call?

- Which part of the overall working time for preparing the proposal (stage 1 and 2) can be attributed to stage 1 only?

- How much working time did your organisation spend to complete and submit the proposal information in the electronic proposal submission system (completion of part A - Administrative forms and upload of part B - Proposal content)?

- How much working time did your organisation spend to connect to the online submission system and fill in the administrative forms (part A of the proposal) for your organisation?

- How much working time did your organisation spend to prepare and participate in a hearing on your proposal during the evaluation phase?

- Do you identify any other process/task in the phase of proposal preparation and submission that has caused significant administrative effort?

- How much working time did your organisation spend to complete this other process/task?

- Please provide below any comment that you might have related to the administrative effort for preparing and submitting your FP7 proposal.

Project Step 2: Negotiation of the project and Grant Agreement signature

- How much working time did your organisation spend to analyse guidance documents (Evaluation Summary Report, Negotiation letter, Negotiation Guidance Notes, FP7 Guide to Financial Issues, model Grant Agreement, etc.)?

- How much working time did your organisation spend to prepare and attend a negotiation meeting with the Commission?

- How much working time did your organisation spend to interact with your Consortium partners, including the development of the consortium Agreement?

- How much working time did you spend to make the arrangements with your host institution?

- How much working time did your organisation spend to adapt the project content (Description of Work - Annex I to Grant Agreement) to the recommendations in the negotiation mandate, including horizontal issues such as dissemination and exploitation of results, communication, gender or ethical issues?

- How much working time did your organisation spend to adapt your part of the project content (Description of Work - Annex I to Grant Agreement) to the recommendations in the negotiation mandate, including interaction with the Consortium partners?

- How much working time did your organisation spend to complete the information in the online negotiation tool NEF?

- How much working time did your organisation spend to provide the information necessary for the Financial Capacity Check?

- How much working time did your organisation spend to have the Grant Agreement/Form A signed by the authorised representative of your organisation?

- How much working time did your organisation spend to finalise the Grant Agreement signature process (including collection of access forms signature(s) from all other beneficiaries)?

- How much working time did your organisation spend to distribute the EU pre-financing?

- Do you identify any other process/task in the phase of grant negotiation and signature that has required significant administrative effort?

- How much working time did your organisation spend to complete this other process/task?

- Please provide below any comment that you might have related to the administrative effort for negotiating and signing your Grant Agreement.

Project Step 3: Grant management and project reporting

- How much working time did your organisation typically spend per year to interact with your Commission/REA/ERCEA Project Officer(s) during the implementation of your project (on top of the periodic reporting)?

- How much working time did your organisation typically spend per year to deal with horizontal issues for your FP7 project, including communication (e.g. a dedicated web site), dissemination of results, ethical and gender issues, stakeholders involvement etc.?

- How much working time did your organisation typically spend per year for the administrative management of the project (i.e. read guidance, instruct staff on requirements and ensure compliance with e.g. time-recording, archiving, sub-contracting procedures)?

- How much working time did your organisation typically spend to prepare your contribution to the scientific-technical part of a periodic report?

- How much working time did your organisation typically spend to prepare and submit your financial statement for a periodic report, including potential requests from the Commission for refinement/correction/completion?

- How much working time did your organisation typically spend to collect contributions from partners (if applicable) and assemble and submit a periodic report (scientific and financial parts), including potential requests from the Commission for refinement/correction/completion?

- Did your organisation have to adapt its usual accounting system for complying with the rules governing EU research grants?

- How much working time did your organisation typically spend to provide a certificate on the financial statements?

- How much working time did your organisation typically spend to distribute an interim payment?

- How much working time did your organisation typically spend to undergo a project technical review at the request of the Commission?

- How much working time did your organisation spend to prepare amendments to your Grant Agreement?

- How much working time did your organisation spend to prepare your contribution to the final report?

- How much working time did your organisation spend to assemble and submit the final report?

- Do you identify any other process/task in the phase of grant management and reporting that has required significant administrative effort for your organisation?

- How much working time did your organisation spend to complete this other process/task?

- Please provide below any comment that you might have related to the administrative effort for managing your FP7 grant and fulfilling project reporting requirements.

Project Step 4: Auditing of the project

- Has your project been audited?

- How much working time did your organisation spend to interact with auditors?

- How much working time did your organisation spend to gather the necessary information/documentation?

- How much working time did your organisation spend to ensure audit follow-up and implementation of audit results?

- Do you identify any other process/task in the phase of auditing that has required significant administrative effort?

- How much working time did your organisation spend to complete this?

- Please provide below any comment that you might have related to the administrative effort related to audits on your FP7 grant.

Simplification options for the future EU research and innovation programme

Scenario 1: *Project-specific lump sums for entire projects*
Please give your appreciation on scenario 1.

Scenario 2: *Extended use of flat rates, lump sums and scales of units*
Please give your appreciation on scenario 2.

Scenario 3: *Continuation of current cost reporting approach but with a simplification of the cost eligibility criteria*
Please give your appreciation on scenario 3.

If you consider another research funding programme to be more simple and efficient than FP7, please indicate the name of this programme and if possible the funding organisation.

When compared with FP7, that programme has (tick all options that apply): …

What would be your number 1 priority for one concrete and feasible simplification measure in the programme succeeding to FP7?

LERU Facts and Figures

- Together LERU member universities account for more than 450,000 students and more than 50,000 PhD students.

- Each year about 50,000 master degrees and 11,000 doctorates are awarded at LERU universities.

- The total research budget of LERU's members exceeds € 5 billion.

- About € 1 billion is granted by research councils, while approximately € 1.25 billion comes from contract research.

- The total sum of research grants from EU projects to LERU universities is approximately € 260 million.

- Approximately 20% of ERC grants have been awarded to researchers at LERU universities.

- More than 225 Nobel Prize and Field Medal winners have studied or worked at LERU universities.

- 50,000 academic staff and 52,000 non-academic staff work at the member institutions (hospital-only staff not included).

LERU publishes its views on research and higher education in several types of publications, including position papers, advice papers, briefing papers and notes.

LERU notes are short, timely statements providing concise analysis and specific advice in response to a pressing issue related to European research and higher education policies. They are often a product of LERU's standing engagement with certain issues and a result of intensive consultation among experts from the LERU universities.

All LERU publications are freely available at www.leru.org.

LERU Office

Huis Bethlehem	tel +32 16 32 99 71	www.leru.org
Schapenstraat 34	fax +32 16 32 99 68	info@leru.org
B-3000 Leuven		
Belgium		