

*COST BESTPRAC Targeted Network*  
*Working Group 2 Finance*  
*Sustainable financial rules in FP9 for error-free financial*  
*management*  
*Report on the results of the survey*

*October 2017*

**Introduction**

Financial rules in framework programmes are not as important to the researchers and academic community as they are for research managers and administrators, since they have an immense impact on their work and on the financial sustainability and on the legislation compliance at the beneficiary organizations. The rules should also consider the different national financial regulations and the different practices of the countries involved. Proper financial rules enable easier, better and more transparent financial management of research projects. This will also likely result in less financial errors found by the auditors. That is why research managers and administrators within the COST BESTPRAC action want to contribute their views and suggestions on what kind of financial rules should be implemented in FP9 in order to:

- lessen the administrative burden on beneficiary organizations;
- enable a transparent monitoring of projects' costs;
- assure financial management to be in line with national legislations;
- avoid financial errors.

The research managers and administrators within the COST BESTPRAC targeted network gathered a large amount of practical experience and knowledge on using the financial rules of multiple framework programmes and therefore we would like to become the European Commissions' permanent partner in developing and implementing better financial rules for future framework programmes for the benefit of both funder and beneficiaries.

In order to collect the different points of view and to capture different experiences and/or possible problems with the present H2020 rules (and interpretations in AMGA) from all interested COST BESTPRAC members, a special questionnaire was developed within WG2 – Finance by a subgroup, chaired by Staska Mrak Jamnik (University of Ljubljana), with following members: Vanda Baloh (Slovenian Academy of Sciences and Arts), Eva Vas and Borbala Varga, (Central European University), Dirk de Craemer and Katrien Windels (Ghent University), Katarzyna Markiewicz-Sliwa (Silesian University of Technology).

In the second half of May 2017 altogether 87 research managers and administrators from 28 different countries responded to the questionnaire (not all of them to all questions). The population consisted of 80% women and 20% men. 68% of respondents came from universities, 1% from an university medical center, 24% from research institutes, 1% from SME and 2% from governmental bodies with public funds and research funds.

<b>Countries of respondents</b>	
<b>Country</b>	<b>Frequency</b>
Cyprus	2
Spain	3
Malta	2
Iceland	2
Turkey	1
Austria	6
Albania	4
Greece	1
Italy	4
Republic of Serbia	1
Finland	2
Luxembourg	1
Switzerland	3
Latvia	1
Ireland	2
Poland	3
Bosnia and Herzegovina	1
Germany	3
Estonia	1
Israel	1
United Kingdom	2
France	2
Netherlands	19
Portugal	2
Hungary	3
Slovenia	11
Belgium	4
TOTAL: 28 countries	87

In the following paragraphs, we will present some issues and points of view that research administrators from different European countries face in the financial management of H2020 projects and possible solutions for FP9

### **Existing and future financial rules**

The H2020 Annotated model grant agreement is very long and complex to read. There are so many documents and rules per program that it is sometimes impossible to see the complete picture. There is a lot of pressure on the administrative staff in the beneficiary organizations to determine what may or may not be declared. There were many revisions of the Model grant agreement with retroactive applicability to all the projects of one beneficiary, which caused an additional excessive workload for the research administrators. The process of simplification from FP7 to H2020 has been successful in many points, but the process should be continued, and some backsteps taken from FP7 to h2020 (mainly regarding personnel costs, since the issue concerning internal invoicing has already been fixed) should be corrected.

There should not be too many changes in FP9 considering financial rules, just some improvements. The rules should then stay the same during the entirety of the FP9 financial period. At the same time, the EC should avoid rules that are too vague, which simply cause more discussion within the consortium (e.g. lump sum funding without clear budget division between partners). The best way to avoid financial errors is to respect and allow national accounting practices. A good rule of thumb would be to accept the usual accounting practices of the beneficiaries, and to offer some very simple rules as an alternative, if the usual accounting practices are not up to the standards.

#### **1. The existing H2020 rules regarding budget transfer (between categories and between beneficiaries)**

Most of the research managers and administrators find the present H2020 rules regarding budget transfer appropriate, but perhaps there is still some place for improvement. Transfer from / to Subcontractors is rather demanding and could be simplified.

Regarding budget transfer between beneficiaries, some colleagues think that there should be a rule that the coordinator has to formally inform all partners to avoid expenditure of budget already transferred to another entity. A special form in case of budget transfer between partners could be used.

Some colleagues suggest that the Management could be a special category. They think that Management could be as a specific category with a rate of reimbursement of indirect cost higher than the other categories.

#### **2. Reimbursement rate (100% + 25% for RIA, 70% for IA for profit organisations)**

Majority of research managers and administrators (mostly from universities) think that the reimbursement rate should stay at the same level (100% + 25% for RIA, 70% for IA for profit organisations). But a lot of them also think that current overhead rate is not sufficient and does not reflect actual overhead in their organisations (some exceeding 60%) and that

there are many costs which cannot be claimed as »direct costs« but they are considered `indirect`, including the extensive work of administrative support. H2020 overhead rates are also insufficient to cover overhead cost of laboratory based research. The current reimbursement rate 100% + 25% is hardly manageable for research institutes with an overhead rate > 100 %. Respondents reported of institutions which lack basic funding to cover the »overhead gap« and which have decided to prohibit their researchers to participate in H2020 projects. This is also the case with some innovative SMEs that are not very strong financially, so consequently they can't apply for a grant. In FP9 EC should consider increasing the overhead rate.

### 3. Current cost forms (actual costs, lump sums, unit costs, flat-rate costs,..)

About half of the research administrators think that the current possible cost forms (actual costs, lump sums, unit costs, flat-rate costs,..) are useful. But all those different rules are still too complex. More simplification is needed, but not in a way that would transfer reporting duties from administrative personnel to academic personnel. The new rules about unit costs and internal facilities such as labs to some people still seems very demanding. Maybe unit costs (lump sums) could be introduced using a range of different levels of costs, according to the amount of real expenditures.

The use of flat rates should not be arbitrary. Lump sums, unit costs and flat rates should not be used in all cases, only where it is reasonable and logical to do so. It is very appropriate for MSCA actions although there are issues with projects involving certain types of expensive research where the available budget for research related costs are insufficient. For other project-types unit costs might not be a good solution. Usage of Marie Curie unit costs should be transferred (only as an option when this option would be more favourable for the researchers) also to RIA Projects in cases where the salaries of researchers are lower than MSCA rates, especially to ERC and ERA Chars Projects.

There should be more acceptance of the usual accounting practices of the beneficiaries. This could be accompanied by more frequent CFSs if necessary.

Reimbursement of actual costs is preferable in many countries, but there must be a level of trust on the side of the Commission auditors. Where organisations are audited by their own national funders and can demonstrate a robust accounting system then they should be awarded some type of `certificate` to guarantee their status. Those without this status should be audited more frequently to reduce error rates. Error rates are high because the EC rules are overly complex, so we suggest going back to basics instead of building on an already overly complex system of reporting., Limits (such as the 8K for `bonuses`) should be removed or made more generous/realistic. After all, the budget is limited so if the hourly rate increases the budget would be consumed earlier. But at least the removal of capping would enable incentive mechanisms to work. Such incentives should acknowledge the additional responsibilities of engaging in larger, European-wide projects.

### 4. Marie Skłodowska Curie Action (MSCA) rules and rates

MSCA rules are appropriate and assure less administrative burdens, but there could be some modifications. MSCA rates are appropriate for most of the EU countries, but for North European countries. They are too low and those beneficiaries must top-up MSCA salaries (if

they have the funds available, otherwise they cannot host MSCA researchers). The MSCA Work Programme Country Correction Coefficient for ITN and IF should be adequately updated in FP9. Another option could be that in those cases the EC should allow actual salary costs to be declared instead of the MSCA Living Allowance flat rate, while Mobility and Family allowances could stay the same.

Living allowance is not always sufficient to cover salary costs and all living costs. The country coefficient for the calculation of the personnel cost does not always represent the current financial situation in the respective countries. The country coefficient should be reviewed yearly. Some rates (for example for the USA) are insufficient in regards of expenses and compulsory fees imposed on the fellows. There is also a problem with mobility allowances and the top-up allowances, which are not sufficient to cover the total cost of the secondment made in third countries such as USA for the RISE-projects.

There is also a problem of management costs. Due to their specific structure, MSCA projects are two projects in one - extensive R&D projects coupled with education projects (training, ESR supervision, summer schools etc.). This means an immense coordination effort that is hardly covered by the management lump sums (even if all partners give away a certain share of their budget). At present MSCA allows the possibility that beneficiaries contribute to the coordinator costs according to the arrangement between Coordinator and beneficiaries settled in the Consortium Agreement. The management costs rule can also lead to unfairness such as a coordinator keeping a large part of the amount in comparison to real costs incurred for their management tasks and small partners many times do not have a lot to say on that. That is why the Management and overhead cost category should be separated into two different management and overhead categories with the overhead rate the same as in RIA projects, while the remuneration of management costs could be on actual costs bases. A possibility could be to introduce in FP9 an additional unit cost only for the coordinator and this coordination unit cost could be intended to be proportional to the ESR total number.

The personnel costs and travel costs of supervisor is difficult to cover although they are very much engaged in the projects. In FP9 it should be possible to foresee eligible supervisor travel and supervision costs within the Research, Training and Networking unit costs.

In many countries, PhD study is set to 4 years but the MSCA ITN projects can only be funded for 3 years so PhD students' time to finish their promotion is shortened by 1 year. Flexibility regarding the duration of MSCA ITN projects to choose between 3 year and 4 year project would be an added value. In FP9 the MSCA ITN action could be implemented over 60 months in order to allow a 4 years PhD programme, nevertheless this possibility would extend the time before final payment for beneficiaries with 3 Years PhD programs, but then it is up to consortium to decide about that.

MSCA rules should also be more flexible regarding the employment contracts. In some countries they have trouble at the moment with the work contracts (like Germany) because PhD-students normally don't have full-time work-contracts, but MSCA-PhD-D-students need to have a full-time contract. This creates a lot of problems with the HR Departments and the Employee Committees. MSCA rules, at least in some cases, should allow also part time work contracts in order to allow career development of researchers.

## 5. Eligible costs categories in H2020

Most administrators think that eligible costs categories in H2020 are sufficient and compliant with incurred costs but there are some suggestions for clarification and improvements. Internal costs are still not fully defined in detail. There is still much confusion about how we claim the costs of internal services such as labs and infrastructure costs. Sometimes cost structures of companies are a bit complicated and demand for more flexibility (e.g. in terms of overhead). Internal invoicing is difficult. Keeping records of the use of machines etc. is difficult (depreciation rules in accordance to the use for the project)

Depreciation stays a problem - if instruments can't be paid completely by the Grant, organisations have difficulties to find other sources. In many cases, eligible costs are not coherent with national legislation (personal costs, fellowships, travel costs, equipment expenditures).

In FP9 more flexibility in cost categories including indirect costs would be appreciated. Here are some of the possible solutions:

- Go back to basics and start with a simple reporting process with simple eligibility criteria for costs.
- Trust institutions who are audited by their own national funders.
- Educate those who are not yet `certified` to enable them to become trusted.
- Prepare a project letter of declaration for asking the refund of non-eligible cost occurred, by date and few words explanation. Include an option for beneficiaries with analytical accounting systems enable to declare actual costs paid out within the scope of the project.
- Allow nationally approved personnel cost (Full cost) models for FP9 too.
- Reduce the number of documents so that you create more clarity.

## 6. Budget categories in RIA and CSA projects

The Majority of research managers and administrators find the present budget categories in RIA and CSA sufficient but there could be some flexibility on which costs are eligible within the categories and more flexibility in shifts between cost categories. For industry partners it is not easy to add their machine hours to the cost statements (e.g. costs of running machines), time that is blocked for production of marketable goods, power supply, ect.). There could be an explicit cost category to add "machine costs / hour" for industry partners. Although the CSA is not supposed to cover research costs, some colleagues argue that some costs in materials could occur and if it's not eligible, it might put the CSA action in danger of not being fully implemented. CSAs should also allow for some smaller amount of funds to be allocated for materials.

## 7. Existing H2020 rules on calculating direct personnel costs (Basic remuneration)

The simplification has become very complicated. More than half of the research managers and administrators that responded to the questionnaire think that the present H2020 rules on calculating direct personnel costs (Basic remuneration) are not fully appropriate and sufficient. The introduction of the last closed financial year provision has created

considerable uncertainty and potential risks of errors. Mandatory use of hourly rate from previous year for direct personnel costs in present year usually means lower submitted costs than they actually are. No matter which calculation method we use to calculate personnel cost the calculated amount will never match the real amount the hired employee cost our institution. Either we can't claim all the cost or the calculation results in more cost, but we cannot claim more than we actually spent on the person. Pay scale increases and salary increases are not covered by the existing calculation methods of yearly hourly rate.

The division between "actual" and "unit/average" personnel costs is not correct. The category called "actual" has nothing to do with actual costs, since they're based on past costs. The present "unit/average costs based on usual accounting practices«, in fact do not allow the use of usual accounting practices.

The monthly hourly rate calculation is definitely an improvement, but the whole hourly rate calculation is complicated and the new system of calculation of personnel costs causes a lot of additional work load for research administrators. Also not all the organisations can use this option because other European, national and international programmes do not have the same system. If one beneficiary is involved in many different national and European projects, it is a nightmare for research administrators to calculate personnel costs in all different ways and still manage to reimburse all the costs, which is usually their responsibility in organisations.

While many organisations (special centrally managed) are quite satisfied with the new system, there is a large percentage of those who have serious problems with implementation of this rules because they are not coherent with national legislation (number of actual working-hours, hourly rate). In addition, internally it is a problem if not all actual costs are covered because there is no other source to cover this financial loss. That is why the possibility of reporting actual personnel costs should be reintroduced as one of the options.

## **8. Existing H2020 rules on eligibility of "Additional remuneration"**

Present H2020 rules on eligibility of "Additional remuneration" are not appropriate. This is an area of concern to some countries and institutions especially from inclusiveness countries. The rules on eligibility of additional remuneration are too complicated and hard to comply with. The system of remuneration is too risky so most of the beneficiaries from inclusiveness countries, that would need this option, are not able to use it or are too afraid that their national or internal system is not compliant with all the requirements and that the auditors would treat their system as a systematic error. If we look at the criteria for the eligibility of additional remuneration, we can find the following risks:

**ALREADY ESTABLISHED PRACTICES:** Many organisation don't meet the rule of already established remuneration practices specially in inclusiveness countries, since they have not had this practice in place until H2020.

**CONSISTENCY:** The problem is also to apply additional remuneration to other international projects, since many EU and international programmes do not allow such remunerations (even FP7) while in some of the programmes (like ERASMUS+) unit cost category is not high enough to cover also additional remuneration. It is also questionable whether many other

international programs would find this additional remuneration eligible. Therefore, it is difficult to assure the consistency regardless of the financial sources.

**OBJECTIVITY:** In some countries, their system of additional remuneration is partly based on subjective evaluation of research performance and at the discretion of the PI so it is difficult to assure total objectivity.

There are really too many differences between levels of salaries between European countries. Some Member States have remuneration systems traditionally based on project-triggered complements. The Commission gave priority to removing the unintended side effects of the Horizon 2020 remuneration rules, as the countries most affected by this issue are those that have the most difficulties in paying competitive salaries to top researchers. The "additional remuneration" rules should be adjusted to allow for participants from inclusiveness or widening countries to get a higher remuneration. It should be more flexible and realistic. It may vary, depending of basic salary or average salary. Limiting additional remuneration to 8.000 € could be unpleasant, especially for institutions that adopt variable way of business. EC should simplify the additional remuneration rule and allow for all the researchers with the salaries lower than certain amount to get additional remuneration only in FP9 without any other conditions or criteria. Another option is allowing Marie Curie salaries for all researcher with the salaries under the certain limit (with different levels of unit costs for early-stage researchers, advanced researchers etc.).

#### **9. H2020 rules on specific cases (teleworking, benefits in kind, recruitment costs, remuneration of postgraduate students employed by university, etc.)**

The present H2020 rules on specific cases (teleworking, benefits in kind, recruitment costs, etc.) are all appropriate but too complex and sometimes in contradiction with each other. Sometimes they are not coherent with national legislation (e.g. teleworking is not possible on Universities in Poland), thus it would be helpful to mention that these rules only apply where they are in line with national law. Some rules and financial guidelines are also not clear.

There is an open question of the work of students in the projects. In many countries, the laws demand that the students can only be employed in the organisation and cooperate in the project through the student agency. In those cases, present H2020 rules consider the costs of students' work as a subcontracting or services. However, non of this options is realistic. This work cannot be a subcontracting because the Student agency does not take any responsibility for the work of the student at the organisation. This can also not be a service because the student cooperates in core research work. The work of students no matter whether they are employed directly by the beneficiary or through the agency should be eligible as personnel costs. Otherwise, the universities will not allow students to cooperate in research, which is a pity.

Some other proposals:

- There should be more flexible solutions in special cases, where national rules limit granted funds.
- Define the possibility to consider internship and explain in which category of cost this has to be included
- Allow beneficiary's discretion e.g. applying the institution's policy.

-Create more clarity in which situations recruitment costs are eligible and when not.

#### **10. Personnel costs declared as unit costs**

The rule on personnel costs declared as unit costs is a useful option but too complicated. This should be able to be done with the usual accounting practices of the beneficiary, but this in fact is not true and demanding rules are added on top of these. This is not considered as helpful. True acceptance of the usual accounting practice of the beneficiaries and simplification would be appreciated.

#### **11. Present rules on personnel costs for natural persons working under a direct contract**

Existing rules on personnel costs for natural persons working under a direct contract are appropriate but not clear enough. The present rules causes many misinterpretations between researchers because the H2020 rules are not always in line with national employments regulations. There should be a specific warning in the MGA that the beneficiary must primarily follow the national employment legislation regarding this option and avoid conflict of interest. There should also be more examples of this rule in AMGA.

#### **12. Costs for personnel seconded by a third party**

Present rules on costs for personnel seconded by a third party are appropriate but the wording is still incredibly complex. Personnel costs that are incurred by own employees are from accounting point of view differently treated as personnel costs inflicted by third parties. The theory (articles in the AMGA) needs to be explained by more and concrete examples. Another option would be to treat this kind of costs as service costs.

#### **13. Personnel costs of beneficiaries that are SMEs/natural persons for their owners not receiving a salary**

The rules on personnel costs of beneficiaries that are SMEs/natural persons for their owners not receiving a salary are useful but there was a comment that the amount that is eligible is too low.

#### **14. Personnel costs for providing trans-national or virtual access to research infrastructure**

Personnel costs for providing trans-national or virtual access to research infrastructure are useful but the wording of the AMGA is not clear enough. Again, back to trust and having a method for working out the access charges would be helpful. Allow the same rates to be used as approved by national funders.

#### **15. Present rules on the use of time-sheets and Declaration of exclusive work**

Present rules on the use of time-sheets and Declaration of exclusive work are efficient but too demanding and should still be simplified. The rules on timesheets are very finicky and prone to mistakes. It is a lot of unnecessary work. Researchers work many more hours than they have to according to their employment contract. Time-sheets are too detailed and never reflect reality. Researchers don't work according to timesheeting rules. Besides this working with full time timesheets for people who are working only a few hours for the project causes an extremely high administrative burden. They will work for so many actions

a few hours that this time writing will cost them a lot of time they cannot spend on doing the research. It is also difficult to link hours with WPs, this is an additional extra work for researchers (technical activity is described in technical reports). It is much more useful to focus on the deliverables.

Auditors in most of the cases require timesheets in hardcopies. The signing of the timesheets in hardcopies are a cumbersome step in those cases when organisations have digital timesheets with electronic approval. Digitally signed timesheets should be acceptable by all auditors.

The Declaration of exclusive work doesn't work, because the EC Auditors themselves are very cautious against using it. Declaration of exclusive work should be more general (Auditors said that if the employee works one hour on something else than claimed in the Declaration, the entire period is ineligible).

It would be good to allow some teaching as dissemination of the project results if this teaching is to a reasonable extent and will not lead to any negative effect on the project. Maybe set a maximum fixed rate for this.

In order to further simplify the requirements for time recording FP9 the EC could implement the rules of INTERREG EUROPE programme (which is also an EU programme). Time-sheets should only be necessary for those persons who are partly working on the projects on an hourly bases (working on the project on contractual number of hours) or for those who change the percentage of their time on project from month to month (flexible number of hours per month). In all other cases where person is working partly on the project at a fixed percentage the Declaration should be used. Moreover, even for persons who are working on hourly bases, time-sheet or declaration could be very simplified, e.g. registering only time spent on the project or substitute the time-sheet by a Declaration: "Researcher has spent XX hours over the duration of the project/ reporting period." If the deliverables are achieved that this is also a good measurement on the hours spend for the project so the scientific report can be maybe more extensive.

## **16. The rules about subcontracting**

We find the rules about subcontracting are not always clear and there is always a risk to go for subcontracting, as regulations are strict. Large subcontracts are sometimes necessary for clinical trials. The distinction between Costs of services and Costs of subcontracting are not always clear. We are still unsure from case to case, if particular positions are subcontracting or services. Current rule, which links subcontracting to tasks in the DOW, is correct, but can lead to different interpretations.

Definitions should be clearer and explained in more details with the list of typical examples. In FP9 EC should keep current rules but ensure appropriate dialogue between beneficiaries and EU officials.

Besides this there is no overhead on subcontracting, but it causes a lot of administrative work for the supporting departments due to the complex regulations. The EC might consider some overhead also on subcontracting.

### **17. The rules about direct costs of providing financial support to third parties**

The rules about direct costs of providing financial support to third parties are appropriate and useful but sometimes too vague. The descriptions in the guidelines are complex and hard to understand and interpret correctly so further clarification or examples would be useful. Empirical experience in H2020 could be used in next framework programme.

### **18. Other direct costs (travel, equipment, other goods and services, capitalised and operating costs of large research infrastructure)**

The rules for Other direct costs (travel, equipment, other goods and services, capitalised and operating costs of large research infrastructure) are mostly clear and appropriate although the level of justification is enormous particularly for travel. Auditing should be based on financial supporting documents (such as invoices) and not on additional supporting documents (for example minutes of meetings). Sometimes the rules are also not coherent with national legislation.

The rule that contractors should allow for an EC audit is not enforceable in practice, and the EC doesn't know how to monitor the compliance. So maybe EC could get rid of the audit requirement for contractors.

The definition of LRI (calculation formula) is not clear enough, which has led to serious disagreement with a beneficiary and EC.

There are some unclearities regarding the subsistence of the meetings. There seem to be unwritten rules for what is allowed for subsistence of meetings. Kick off meeting costs can sometimes be borne by the coordinator but for other meetings subsistence costs have to be borne by each individual and their respective institutions. There should be more flexibility around audit of meeting costs.

Rules for other goods and services regarding price-quotes are sometimes needlessly complicated. Application of "best value for money" when there is no obligation by law is very difficult in big institutions (ej. it is not mandatory to ask for several offers from different suppliers for minor purchases). EC should allow more leeway for beneficiaries to choose the best goods/service provider without having to go through tendering.

Depreciation stays a problem in some cases - if instruments and equipment can't be paid completely by the Grant, organisations have difficulties to find other sources. Full capacity rule made this even worse (this rule was removed in the recent versions of AMGA) and FP9 should not implement this rule. For some equipment (like personal notebooks) it is also not clear whether is it eligible as direct cost or not. Complete costs for equipment and instruments could be eligible and completely financed by direct costs in some cases and up to certain amount.

Infrastructural costs of laboratory-based research can be made direct, but current regulations make this difficult. Rules should be simplified for FP9.

#### **19. The flat rate for INDIRECT COSTS**

As already written the flat rate is good and uncomplicated but for many organisations too low and not sufficient to cover all the indirect costs of the beneficiaries. The flat rate for indirect costs could be higher.

The EC should also allow full costing if the organisation has the methodology in place to calculate it in clear and transparent way.

#### **20. The rules for SPECIFIC CATEGORIES OF COSTS (ex. Costs for additional energy efficiency, costs for clinical studies,...)**

The rules for SPECIFIC CATEGORIES OF COSTS (ex. Costs for additional energy efficiency, costs for clinical studies,...) are clear and useful but too narrow. Some colleagues think that they don't take into account larger organisations with large amounts of equipment or multiple clinical trials. The ability to share facilities and staff is essential to claiming costs, being able to use an approved rate - especially if that has already been established for national funders would be the simplest solution.

By the opinion of some of the colleagues, present rules on the unit costs for clinical trials are not appropriate; this is one of the unnecessarily complex changes in H2020. In FP9 the EC should reappraise the unit costs for clinical trials.

#### **21. Costs of linked third parties, for in-kind contributions provided by third parties free of charge and against payment**

The rules for COSTS OF LINKED THIRD PARTIES, for IN-KIND CONTRIBUTIONS PROVIDED BY THIRD PARTIES FREE OF CHARGE and AGAINST PAYMENT are appropriate but sometimes not very clearly explained and can be misinterpreted. There should be more examples in AMGA.

#### **22. VAT cost eligibility**

The rules for VAT cost eligibility are appropriate but sometimes lack clarity. Detailed explanations would be appreciated also how to prove the eligibility to auditors. There should be more detailed explanation and concrete examples in AMGA what is the necessary documentation for the audit.

#### **23. The result based remuneration**

There is a doubt of research managers and administrators that the results based remuneration would be a good option for FP9 except for some types of projects like tenders, SME instrument or to some extent IA projects. This is a very risky approach. Implementing result-based remuneration in RIA projects would cut off many universities from FP9 as they would be forced to include full-cost pricing and lots of complicated internal

rules! This would make the scientific output even more a checkbox exercise. It is difficult to define specific results at the proposal stage. What happens if results change during implementation project? How does it affect final remuneration? Research being a long-term activity it can be difficult to link results to remuneration. In research projects, some flexibility on the timing and output of Deliverables and Milestones is needed. The acceptance of delivery of results will be fraught in a research context. The results based remuneration may create confusion and inaccuracies. It would easily lead to just measuring whether deliverables were submitted in time rather than looking at their quality and impact. In research you cannot relate remuneration with results because there are cases that you do not have results.

It would also transfer reporting responsibility from the financial service personnel to the academic (research) personnel and increase the burden of researchers. In addition, the risks of bad reporting would grow, as it would be impossible to properly educate all researchers on this matter.

There is also the problem of national legislations since in many countries this kind of mechanism is not laid down in national labour code or is even forbidden for public institutions.

Some of the consequences of this system could be foreseen:

- Researchers will define Workpackages or Deliverables much smaller to minimise the risk, i.e. to split them up in many small parts. This will result in much more reporting.
- They will promise only what is sure to be achieved, but nothing risky. Hence, no innovation will be tried, because it is too dangerous, if the outcome is not as expected.
- The universities will consider the money as not guaranteed and uncertain, so we will have a lot of trouble to employ people, if the reimbursement is not sure.

EC should be very careful with the implementation of this system of remuneration and look at any pilots being currently run. FP9 should retain the remuneration rules of H2020 with some improvements. If result based remuneration would become effective, then clear ways of measuring would be necessary. It should be clear how results would be verified and clear and non-biased evaluation should be assured.