

STANDARD FORM OF EXPLANATORY MEMORANDUM FOR EUROPEAN UNION LEGISLATION AND DOCUMENTS

European Court of Auditors Report 28/2018

European Court of Auditors Special Report: The majority of simplification measures brought into Horizon 2020 have made life easier for beneficiaries, but opportunities to improve still exist.

Submitted by the Department for Business, Energy and Industrial Strategy on 21 November 2018

SUBJECT MATTER

1. This is a report by the European Court of Auditors (ECA), which examines the effectiveness of simplification measures that have been brought in to Horizon 2020 and goes on to recommend further areas for improvement.
2. The ECA is an independent institution of the European Union (EU) that predominantly audits finances, but also provides reports for EU policy makers and citizens in particular areas of European policy.
3. The Research and Innovation Framework Programmes function as the EU's main support mechanism for research and innovation. Horizon 2020 is the current Framework Programme.
4. The Framework Programmes have been criticised for their complexity and the administrative burden that participants have had to contend with. The ECA carried out a survey of beneficiaries of Horizon 2020 grants. The survey asked beneficiaries to provide their perceptions of the impact of the simplification measures on reducing the administrative burden of participation.
5. The report found the majority of the Commission's simplification measures to have been effective in reducing the administrative burden placed on Horizon 2020 beneficiaries. However, some actions, for example changes to the Annotated Model Grant Agreement (AMGA), did not entirely produce the desired aim of simplifying participation in the programme, and there are still areas for improvement. It was also shown that repeated adaptations to rules in an effort to simplify them caused some confusion and uncertainty amongst beneficiaries.
6. The report notes that the simplification changes to the Horizon 2020 programme have had the following impacts:
 - 6.1. **New organisational structures:** Most notably, the creation of the Common Support Centre aided the simplification of the programme. By centralising

horizontal support processes, all bodies can apply the Horizon 2020 legislation in a more coherent manner.

- 6.2. Improved support tools:** Tools such as the Participant Portal have been successful in facilitating participation, by simplifying the grant award and management processes for applicants and beneficiaries through the use of electronic signatures. However, technical improvements are still required as the feedback from beneficiaries has indicated that these tools can be difficult to navigate.
- 6.3. Reduced time to grant:** Time to grant denotes the period of time between the closing of a call and the signing of a grant agreement. Between the previous programme, Framework Programme 7 (FP7), and Horizon 2020, the average time to grant has fallen from 309 to 191 days. Minimising the time to grant is particularly important for the success of projects in which speed to market is critical. This time saving was largely produced through two means:
- The withdrawal of the negotiation stage, which took place between the selection of a proposal for funding and the signing of a grant agreement and involved a rationalisation of the deliverables expected from a project.
 - The increased use of electronic document transmission and signature.
- 6.4. Simplification of rules on personnel costs:** Rules in this area remain complicated for beneficiaries and often lead to errors in cost declarations. Furthermore, when adjustments have been made, they have often resulted in legal uncertainty and some confusion for beneficiaries.
- 6.5. The creation of a Common Audit Service:** The Common Audit Service and the new audit strategy have helped to reduce the audit burden placed on beneficiaries. Beneficiaries are, however, still faced with inconsistent treatment through outsourced ex-post audits. The variable quality in outsourced audits can lead to difficulties for beneficiaries. For example, some auditors have a more limited understanding of the programme, which can lead to slow or poor-quality audits and thus project delays.
- 6.6. Continuing inconsistent provision of guidance:** Despite changes that have been made to simplify participation in the programme, multiple channels are used to answer the queries of beneficiaries. The consistent treatment of cases therefore cannot be guaranteed. For example, National Contact Points (NCPs) in each country are available to offer guidance to programme participants located in the NCP's host country. However, the report found that the levels of support and guidance provided by NCPs to participants varies across the EU, depending on the participant's host country.

7. The report recommends that the Commission should:

- 7.1. **Improve communication with applicants and beneficiaries:** The consistency between varying channels of communication needs to be improved. There is also room to improve the clarity of the guidance that is provided to beneficiaries. The Commission manual on research and innovation (AMGA) is a very large document and could be simplified, for example.
- 7.2. **Intensify the testing of lump sums:** Increasing the use of simplified cost options such as lump sums and increasing the use of inducement prizes have the potential to reduce administrative burden on participants.
- 7.3. **Explore greater use of two-stage proposal evaluations:** Wider use of this approach could reduce costs for a large number of unsuccessful applicants. Participants could be notified of their proposals' failure at an initial stage. They will therefore be able to avoid making the unnecessary investments to develop the finer detail of their projects.
- 7.4. **Re-examine remuneration conditions for expert evaluators:** Some beneficiaries showed concern that experts may not have the sufficient technical knowledge to ensure quality in evaluations, especially in multi-disciplinary projects. Increasing the remuneration rate paid to evaluators, which has not been revised since 2007, and providing more time for evaluations may improve the process.
- 7.5. **Increase recognition of the Seal of Excellence** The award is intended to help the best of the unsuccessful proposals find funding elsewhere and has not yet been effective in doing this.
- 7.6. **Ensure stability for rules and guidance for participants:** Frequent changes to the rules and guidance was found to be disruptive for participants.
- 7.7. **Improve quality of outsourced audits:** The Commission should aim to improve its mechanisms for examining the quality of outsourced ex post audits and seek to speed them up.
- 7.8. **Further simplify tools and guidance for SMEs:** Some SMEs have been shown to struggle with the application process and when implementing their projects. SMEs often therefore seek external support to help deal with the complexity of the programme.

SCRUTINY HISTORY

8. Explanatory Memorandum no. 5271/18, on the Horizon 2020 interim evaluation, was submitted on 29 January 2018. This was cleared by the House of Lords EU Select Committee (Sift 1689, Session 17/19). This was cleared by the House of Commons EU Select Committee on 28 February 2018.

MINISTERIAL RESPONSIBILITY

9. The Secretary of State for Business, Energy and Industrial Strategy has the principal ministerial responsibility for research and innovation matters, including the United Kingdom's policy on EU research and development.

INTEREST OF THE DEVOLVED ADMINISTRATIONS

10. Relations with the Institutions of the European Union are a reserved matter under the UK's devolution settlements. Science, research and innovation is also a reserved matter. The Devolved Administrations do however have an interest in European research and innovation policy, and so this EM has been shared with them.

LEGAL AND PROCEDURAL ISSUES

11. There are no legal or procedural issues related to this document.

APPLICATION TO THE EUROPEAN ECONOMIC AREA

12. All EU Member States are participants in Horizon 2020. The programme is also open to the association of EEA states. Both Iceland and Norway associated to Horizon 2020, but Lichtenstein excluded itself from association to the programme.

SUBSIDIARITY

13. The Communication is justified in accordance with the principle of subsidiarity. The evaluation of the overall impact of changes to EU research and innovation programmes is better achieved at the Union level due to the scale and collaborative nature of the programme.

POLICY IMPLICATIONS

14. On 23 June 2016, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. The outcome of

these negotiations will determine what arrangements apply in relation to EU legislation in future once the UK has left the EU.

15. The report gives an assessment of the measures put in place to simplify participation for beneficiaries within Horizon 2020. The report also provides recommendations for improvement; however, the document does not state that these changes will be implemented. Given that the Horizon 2020 programme is nearing its conclusion it is unlikely that they influence the current programme.
16. However, there are potential policy implications from this report. The recommendations made in the document may impact the development and implementation of the Regulation establishing the future research and innovation Framework Programme, Horizon Europe, which is currently being negotiated. The UK is exploring the option of associating to Horizon Europe in the future. Whilst the UK supports the simplification of the Framework Programmes and measures to make it easier for beneficiaries to participate, changes made in respect of this report may be delivered too late to impact our decision to associate or otherwise. It must also be made clear that the UK is not currently negotiating association to Horizon Europe, but the Regulation to which the UK could potentially associate in the future.

CONSULTATION

17. Not applicable as this is not a proposal for legislation.

IMPACT ASSESSMENT

18. An impact assessment is not required as this is not a regulatory proposal and will not have an impact on businesses, public or civil society organisations, regulators or consumers.

FINANCIAL IMPLICATIONS

19. There are no direct financial implications for the UK.

TIMETABLE

20. Not applicable. This is a report on the current programme rather than a legislative proposal.



Sam Gyimah MP, Minister of State for Universities, Science, Research and Innovation

Department for Business, Energy and Industrial Strategy