



Second triennial revision of the Financial Regulation

How can it improve research funding?

Seminar on “Simplification and strengthening the efficiency of research programmes”
14 July 2010, Brussels

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Overview of issues

SIMPLIFICATIONS:

- Interest on pre-financing
- Alternatives to funding based on actual costs
- Output-based funding
- Prizes
- Outsourced management

TOLERABLE RISK OF ERROR



Interest on pre-financing

Currently: interest on pre-financing is owed to the EU.

Criticism: too much red tape for both beneficiaries and Commission compared to the benefits

Proposal:

- In principle, interest on pre-financing not due to the EU;
- Grant agreement may foresee
 - allocation to the action, or
 - recovery by the EU budget.



Alternatives to funding based on actual costs

Currently: difficulty accepting average personnel costs; strict on lump sums, flat rates, scales of unit costs

Proposal:

- Actual cost system remains the default option
- Average personnel costs would be treated as a scale of unit costs based on the individual beneficiary's usual accounting practice; they may be accepted if accepted by comparable national funding schemes
- Lump sums, flat rates and scales of unit costs are subject to Commission approval of modalities with increased flexibility



Output-based funding

Currently: funding based on actual costs implies ex-post control by financial audits, rather than evaluation of results achieved

Proposal:

- The rules would allow a global lump sum per project, entering more in a logic of a realistic cost-based price (checked ex ante) for agreed outputs.
- Grant agreement should also include the definition of the expected results

! Requires substantial analysis before introducing such a system



Prizes

Currently: an instrument neglected in research despite evidence of a high leverage effect

Proposal:

Placing prizes on equal footing with grants, procurement and financial instruments as one type of funding instruments.



Outsourced management

Proposal:

- no major changes for executive agencies
- streamlining of indirect management (Eurostars, Metrology, Ambient Assisted Living, BONUS)
- new alternatives for outsourced PPPs (JTIs):
 - mixed public-private EU body with ad-hoc rules and a light model financial regulation (Article 185a/53(1)(2)(e) FR)
 - private-law body (Article 53(1)(2)(g) FR)

Tolerable risk of error



- TRE is **not** a simplification measure
- TRE is a balancing factor between the risk of error (legislative complexity) and the costs of controlling - it targets cost-effective control systems
- TRE would provide an objective basis for the Discharge Authority to judge the Commission's management of risk in implementing the EU budget



Tolerable risk of error

- Adopting a tolerable risk of error approach would allow the Commission to refocus its control strategy towards higher risks rather than continuing to add further costly controls, and consequent burdens on less risky beneficiaries, to try to achieve the current 2% materiality threshold applied by the Court of Auditors.
- TRE could be reduced in future if there is further simplification for post-2013 (Discharge in 2016)



FR revision: the way to go

- Commission Proposal COM(2010)260 final of 28 May
- Implementing Rules as staff working doc
- opinion of Court of Auditors expected
- ordinary legislative procedure
- intended entry into force 1 Jan 2012, along with amended IR
- ambition to be the common ground for EU expenditure programmes to the degree possible