



EU FUNDING FOR UNIVERSITIES

• sufficient • sustainable • simple •

EUA'S INPUT TO THE PUBLIC CONSULTATION ON THE 2016 REVIEW OF THE EU'S FINANCIAL REGULATION

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INTRODUCTION

The **European University Association (EUA)** is the representative organisation of more than 800 universities and national rectors' conferences in 47 European countries. EUA plays a crucial role in the development of the European Higher Education and the European Research Areas, also through influencing EU policies on higher education, research and innovation. Thanks to its interaction with a range of other European and international organisations, EUA ensures that the independent voice of European universities is heard, wherever decisions are being taken that will impact their activities.

With this statement, EUA responds to the public consultation launched by the European Commission in the spring of 2016 ahead of the review of the EU's Financial Regulation. The Financial Regulation sets out the general rules for the spending of the EU budget and thus also governs the operational basis for the awarding of all EU funds and their monitoring and control by the European Commission and respective agencies in charge of their management. The 2016 review is an important element in a series of ongoing or upcoming reviews and revisions of EU funding instruments and regulations that are important to universities. These include the Multiannual Financial Framework (MFF) - the EU's seven-year long-term financial planning - and EU funding programmes such as Horizon 2020 and Erasmus+. The review will also provide the basis for discussions on the future MFF and the funding programmes post 2020.

EUA believes it is crucial that policy makers consider the input of universities as they are the main beneficiaries of major EU funding programmes, notably Horizon 2020 and Erasmus+. EUA's response focuses mainly on the rules for grants and only touches on other aspects of the Financial Regulation to the extent that they are of major importance to universities. The input is presented in the form of the present statement, rather than a direct response to the online questionnaire as the latter includes many issues that are not of direct relevance to universities. The input is based on evidence from EUA's longstanding work with its members on the simplification of EU funding programmes and the financial sustainability of universities, which has been collected through several projects and consultations - the most recent being a membership consultation on the mid-term review of Horizon 2020 and Erasmus+ to which more than 270 universities have responded.

SIMPLIFICATION AND SUSTAINABILITY AS OVERARCHING PRINCIPLES

During the previous reviews of the Financial Regulation and the design of the current generation of EU funding programmes, the European Commission put forward three overarching goals of simplification:

- to reduce the administrative burden and related costs of participants;
- to speed up all processes of proposal and grant management;
- to reduce the financial error rate.

These goals are directly linked to the rules and management processes that are specific to each funding programme. The Financial Regulation is also of great relevance to these goals as it sets out the basic rules for the eligibility of costs and the management of the funds. Therefore its review is an important opportunity to take stock and try to further simplify where needed and possible. The attempt to simplify, however, should focus on simplification for beneficiaries, and not only on procedures for the European Commission and the funding bodies and agencies.

The simplification of rules and processes is only one aspect that needs to be examined. To ensure that the EU programmes remain attractive and fit for purpose, it is paramount that the situation for participants is improved in practice and that the funding model is financially sustainable. Due to the financial and economic crises, public budgets are scarce and governments are ever more reluctant to provide the money needed, be it at the European or national level. This is a major problem for organisations like universities that fulfil important public responsibilities in education and research and depend to a large extent on public funding. As [EUA's annual Public Funding Observatory](#) shows, the level of public investment in universities has been going down in many countries across Europe since the start of the financial and economic crisis in 2008. To date, the EU target of 3% GDP invested in R&D is being missed. Only a few countries keep up or increase their financial contribution to the sector and even some of those have begun to struggle recently. Also EU funding for universities is under threat. An example is the establishment of the European Fund for Strategic Investments (EFSI) in 2015, a loan scheme for which 2.2 billion euros were diverted from Horizon 2020 in order to finance part of the EU guarantee needed to set up the fund. Due to scarce resources, it becomes ever more important to spend public money in an efficient way and therefore the management procedures of such funds have to be simplified and improved in order to reduce the administrative costs and free up money for the actual research and education activities.

Strong universities need sustainable and sufficient public funding, be it at the national or the European level. EU funding programmes such as Horizon 2020 and Erasmus+ are important instruments supporting the development of the European Research and the European Higher Education Areas. Collaboration, excellence and long-term impact need to remain cornerstones of EU funding programmes, demonstrating European added value, for future generations of young people in order to create new jobs and ensure European competitiveness and social prosperity.

Therefore the EU's financial regulation and subsequent funding rules need to ensure efficient investment in research and education, which includes on the one hand a simplification of rules and management procedures, and on the other hand a sufficient cost coverage for beneficiaries - notably those with a non-profit status like universities.

10 KEY POINTS FROM THE PERSPECTIVE OF UNIVERSITIES

The review of the EU's Financial Regulation should be guided by the following objectives:

1. **Provide a coherent funding framework and set of rules, but take account of the specificities of sectors and beneficiaries**

In principle EUA welcomes the idea of a single rule book for EU funds as it has the potential to increase the transparency and coherence of rules for beneficiaries. However, a single rule book should not be confused with a "one-size-fits-all approach" towards sectors and beneficiaries. Different rules might be needed for different forms of funding (grants, loans, financial instruments etc.) and different types of beneficiaries and sectors. Therefore, the Financial Regulation should continue to allow for the adaptation of rules for the specific funding programmes such as Horizon 2020 and Erasmus+ in order to accommodate the specificities of academic research and education.

2. **Balance result-focused budgeting with cost-based funding**

EUA understands the need to focus more on the impact and results of EU spending in order to ensure that the budget addresses the Union's priorities and meets its aims. However, this approach has to be balanced with funding based on the costs of an activity in order to avoid endangering the financial sustainability of beneficiary institutions. In this regard, the use of lump sums, flat rates and unit costs also has to be considered. These forms of financing need to balance administrative simplification with a sufficient coverage of costs and need to take into consideration the specificities of different sectors and types of beneficiaries.

3. **Speed up administrative processes, but leave adequate time for beneficiaries**

Currently, the Financial Regulation foresees a maximum of six months between the submission deadline for applicants and the release of the selection results. There are then three additional months for the signing of grant agreements between the European Commission and the beneficiaries. These time frames may be adjusted by specific programme rules and only exceeded in duly justified cases (article 128, § 2). While EUA welcomes the general attempt to reduce the time-to-grant in order to foster quicker implementation, adequate flexibility should be given for the signature of the grant agreement by the beneficiaries, notably for large consortia with complex projects where many partners need to be consulted.

4. **Provide different options for reimbursement of costs**

The Financial Regulation foresees different options for the reimbursement of costs for grants and leaves it up to the Commission to decide which forms are used for a specific programme or action. While the Financial Regulation should continue to allow such different options, it should be up to the beneficiaries to choose between reporting on the basis of actual costs or the use of lump sums, flat rates or unit costs. This would ensure that the beneficiary institutions can actually use their regular management and accounting procedures without having to set up a specific process for EU-funded projects. At the same time, it would give those who have adequate procedures in place to prove the total actual costs of an activity (including indirect costs) the possibility to show and claim those up to the level allowed by a specific programme. This, in turn, would give the European Commission a better understanding of the actual costs of supported activities which would help to determine adequate funding rates.

5. Improve the compatibility of different funding instruments at European and national levels

Given the co-funding principle, beneficiaries have to look for other sources in order to cover the entire costs of an activity. Therefore, the combination of different funding instruments from European and/or national or local levels should be allowed and made easier.

6. Accept nationally recognised institutional accounting practices

Although the Financial Regulation foresees a broad acceptance of the usual accounting and management practices, it still phrases this more as a recommendation than an obligation. Automatic recognition of nationally-accepted accounting and management practices would contribute to further simplification for beneficiaries and reduce the administrative burden. Two-thirds of respondents to the EUA member consultation on Horizon 2020 indicate that they face certain restrictions in applying their usual practices or have even set up a parallel system specifically for Horizon 2020 projects.

7. Develop a trust-based approach towards beneficiaries

Auditing procedures should be made more efficient and double auditing of projects should be avoided; e.g. through the acceptance of audit certificates from the national level.

8. Ensure an adequate balance of flexibility and predictability as well as stability of rules and implementation

A regular revision of the Financial Regulation seems reasonable in order to align it with the changing situation, the EU funding programmes and the needs of beneficiaries. However, the need for improvement and change should be balanced with the need for a certain level of predictability and stability in rules for beneficiaries of EU funds and should also consider the time and costs for change to be properly implemented. Therefore, the current revision of the Financial Regulation should be based on a holistic approach, foreseeing as far as possible into the future the needs of the MFF and EU funding programmes in order to avoid another revision immediately after the decisions for the post-2020 time frame are made.

9. Prevent the use of financial instruments to fund academic research and education

Recently a number of new financial instruments have been created at the EU level as a response to arising challenges. The European Fund for Strategic Investment (EFSI) is one prominent example. The European Commission actively promotes these types of instruments and seems to have the intention to make more use of them in the future.

EUA warns that such developments can be a detriment to existing and future grant-based programmes, notably in the area of research, innovation and education. As EUA has stated in its [campaign](#) against the cut of research grants for EFSI, most universities in the majority of countries in Europe are not in a position to work with such instruments as they would further endanger their financial sustainability and they are not adequate to fund fundamental research and education.

10. Focus on efficient and effective implementation

Besides the above points for improvement, the Financial Regulation currently in place has already simplified previous rules and allows for necessary flexibility with regard to several issues. Nevertheless, some things still do not entirely work in practice. Therefore, emphasis should be put on efficient and effective implementation of rules.