

ANNEXE – OUR RECOMMENDATIONS FOR THE NEXT FINANCIAL REGULATION

In order to reach the policy objectives set in “EU2020” it is important to make sure the programmes do reach their targeted publics. We believe that alongside the need to match political priorities and programmes it is important to remove obstacles to participation. Indeed, the implementation of the current financial regulation often prevents key actors from participating. Potential candidates are frequently discouraged by the application procedures as well as by the administrative burdens that come with managing EU projects. Of course, it is very important to have strict and transparent procedures but we believe that it is possible to find a good balance between the need to ensure that public money is well spent and the need to ensure that the right actors can be involved. If not EU programmes will be only for experts and not for citizens. Our contribution aims towards the definition of financial rules that ensure an optimum return on investment. The Commission’s proposal introduces improvements but we believe that more can be achieved. On the basis of our day-to-day use of EU programmes, we would like to make some concrete proposals to policy-makers in the process of adopting the new financial regulation by 2012. This new set of rules will indeed impact our daily work with millions of learners and educators in Europe.

SIMPLIFYING APPLICATION PROCEDURES IN 4 STEPS

1/ Revising application forms

More coherent and understandable application forms based on: “who, what, why, when, for whom and how”. The idea is to avoid duplicating information (i.e. role of partners in general and for each work package and hours in the budget and the application). Information should be well organised and provide enough material for the experts to evaluate projects.

2/ Applying a 2-step procedure especially for very competitive grants

It is generally agreed that preparing a transnational project takes around 6 months with no guarantee that it will be selected at the end. It would be more effective to adopt a two-step procedure: sending a first proposal and, if accepted, submitting the whole application. This would encourage organisations to participate and would save time and energy for both the European Commission and applicants.

3/ Setting up a database of applicants

Information about applicants could be stored centrally (i.e. legal status) to avoid applicants sending the same documents again and authorising officers checking them again. It would also improve transparency. Systems such as PADOR already exist and could serve as a basis but this database should be as simple as possible to avoid additional bureaucracy.

4/ Applying common rules

The financial rules could state the principle for EU programmes (especially for those operating in the same field) to have more flexible deadlines to ensure greater participation. It should be clearly stated that national agencies should apply the same rules in terms of priorities, deadlines and procedures to ensure the European added value of these programmes.

SIMPLIFYING THE FINANCIAL MANAGEMENT OF PROJECTS IN 4 POINTS

1/ Suppressing bank guarantee

The pre-financing guarantee required by some agencies is very problematic for many organisations. For example, Belgian banking agencies reject the model required by the Agency particularly because of the referral, in case of dispute, to the European legal authorities only, which excludes the legal authorities of the Belgian law. This is an important barrier that should be overcome. A solution could be for the EIB to provide such guarantees.

2/ Developing the use of lump sums

Lump sum systems tend to be easier; they enable smaller organisations to take part in EU projects. Some programmes, like Grundtvig “Learning Partnerships” or “Workshops” are given as good examples. Evaluation is mainly qualitative - and not on how each Euro is spent.

3/ Cost effective eligibility periods

This rule is mentioned as being rigid and ineffective. The eligibility period should be based on the activities and not on the day of purchase. If partners plan a meeting at the beginning of the project (within the eligibility period) they should be able to buy their plane tickets before the project officially starts.

4/ Double ceiling

Today grants are expressed both as a maximum amount and as a maximum percentage defined in the grant agreement as a proportion of eligible costs. The Commission proposal excludes the absolute amount but maintains the percentage whereas

this is precisely the one causing problems. It would be more effective to define the grant only as a total amount. Indeed, it is almost impossible to foresee exactly the expenses to be incurred in 1 or 3 years. This creates an important risk for organisations while having no effect on quality delivery.

GUIDING PRINCIPLES FOR AUTHORISING OFFICERS

It is important to tackle the lack of consistency in the interpretation and application of the financial rules (FR) and implementing rules (IR) across services (DGS). Today, authorizing offices usually avoid taking risks and take the most conservative approach at the expense of innovation. Moreover, this situation creates unfair discrepancy for applicants across services. The FR and IR should provide guidance including advice on modalities to be preferred in specific cases. Organisations that request such exceptions could be asked to justify why this is necessary instead of having to negotiate bilaterally with the authorising officer as it is the case today. This would improve equity and transparency.

1/ More flexibility about the “10%” rule

More flexibility should be given in order to reallocate parts of the budget (“10% rule”). Indeed, it is nearly impossible to plan the exact costs one to four years in advance. The possibility to adapt the budget according to real costs should be easier.

2/ Possibility to adapt the level of indirect costs

It is recognised in many member states that indirect costs represent more than 7% of the total budget¹. This limits the possibilities for some organisations to participate. The ratio for indirect costs should be at least between 15% and 20%.

3/ Simplifying amendment requests

The need for amendment should be prevented as much as possible by making contracts less specific and, when it is necessary to amend, procedures should be easy but well argued.

4/ Late payments and unequal instalments procedures

Many organisations reported late payments with money arriving 3-4 months after the project has started, with very negative impact on delivery. Rules also differ on the way the money is distributed (instalment procedures). In specific cases the EU gives most of the grant (80%) at the beginning of the project as it is the case already for Grundtvig “Learning Partnerships” in other case it is much less (30%). More flexibility is necessary if we want smaller organisations to take part.

SPECIFIC RULES FOR OPERATING GRANTS

1/ Recognising volunteer work as contributions in kind

The current regulation mentions that the Authorising Officer can allow the recognition of volunteers’ work but in practice it is seldom the case. The Commission could propose indicative daily allowances or ask the applicants to justify an equivalence based on employees that perform similar tasks in their organisation. Contributions in kind can either be voluntary or pro-bono. Volunteer work is the specificity of civil society organisations; not recognising it would impede their participation in the programmes as well as send a negative message especially in the framework of the European Year 2011.

2/ Indirect costs should be applicable

Applicants should be able to ask for indirect costs when they apply to call for proposals even if they receive an operational grant. Indeed, every new project generates such expenditures.

3/ Suppress the non-profit rule

Organisations that use EU operating grants to cover their core costs while they are running other projects that generate some surplus, have to give all this built-up surplus back to the EU even if the activities of these projects are not related to the activities carried out for the operational grant. This rule is unsustainable and does not support the development of civil society. It should be re-examined. The best solution would be to exclude organisations pursuing European general interest from the scope of the non-for-profit rule by ensuring that this surplus is not redistributed. A built-in tolerance of 20% would help.

4/ Flexible co-funding ratio

More flexibility should be allowed on the percentage ratio of co-funding for not-for-profit making organisations, for small and average-sized organisations that do not already receive important funding at national or regional levels. This is particularly true for European organisations and networks that do not get support at national or regional levels. If the authorising officer is allowed to adapt the rules today, we observe strong differences in the way the rules are implemented. It is important to provide clear guidelines to authorising officers.

¹ In the UK the national survey on indirect costs (Surer) undertaken by the Association of Chief Executives of Voluntary Organisations in 2005 proved that organisations incur 15-20% indirect cost to deliver a public contract. This was acknowledged by the government and a new system was adopted for public funding. “Better Return on Investment” policy briefing note, September 2010.

1/ Improving the selection process

The selection process should be reviewed. It is now distant and dialogue is lacking. Furthermore, more transparency is requested on the way applications are evaluated and quality feedback should be given to applicants. Decision-making should be faster and more transparent.


2/ Evaluation based on evidence

The European Commission and the Agencies should focus more projects' evaluation on evidence (results). It is reported that auditing requirements represent a huge burden on the time and resources of civil society organisations. The amount of paperwork that is to be kept by applicants during many years is huge. Changing evaluation rules and developing the use of lump sums or flat rates would be more cost effective and of greater value for tax payers.

3/ Co-management of EU programmes

A solution to improve the system could be to implement co-management in the governance of programmes while further reflection is needed on its modalities. This is currently the case of the European Youth Foundation of the Council of Europe. This model could serve as a good example for the EU.

Sincerely yours,

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