

Public Consultation on the Second Triennial Review of Financial Regulation

Contribution from the European University Association (EUA), Brussels

The European University Association acts as an independent stakeholder for Europe's Universities. EUA is a non-governmental membership organization whose membership comprises 34 National Rectors Conferences and over 850 individual universities across 46 countries. EUA seeks to bring empirical evidence from universities' experiences to help inform the policy-making process in developing European level funding instruments that help their strategic development and enhance their performance in addressing social, economic and civil society needs and goals.

Given that the Financial Regulation governs the operational basis for the awarding of all EU funds and their monitoring and control by the European Commission, EUA wishes to take the opportunity that the current triennial review of the Financial Regulation provides to re-iterate key points of reform that it believes are needed in the implementation of the Seventh Framework Programme for Research and Technological Development (FP7).

"Simplification" and Reform

Universities require sustainable funding conditions for university-based research, particularly from external funding sources in covering the full costs of research including indirect costs. EUA has been a prominent stakeholder on behalf Europe's universities in the policy debate on the development of the FP7 Rules of Participation, particularly on the issue of the need for a 60% flat rate for indirect research costs re-imburement within the new eligible costs model for FP7 contracts. Such a level of flat rate is required because EUA's own work with its membership shows that while universities are seeking to improve their professional financial and cost accounting capacities to identify the full costs of all their activities and projects there remain many barriers to overcome at the level of universities themselves and with respect national conditions i.e. differences of legal status, funding structure and level of autonomy etc.

Today, in fact, European Commission funding through FP7 with its model of cost recovery has played the role of an important driver in the development of full costing in European Universities and this should be recognised. However, certain aspects of the design, implementation and interpretation of this important funding programme can become an obstacle in the implementation process of full costing systems. While it is necessary, of course, to have the appropriate accountability requirements in place, it is important to keep the reporting requirements to a minimum. Recent EUA studies show that European research funding regulations are seen as too complex and burdensome.

EUA believes that the benefits of full costing for Europe's universities are multiple in terms of improving strategic decision-making, ensuring more efficient internal resource allocation and fostering systematic approaches to activity analysis and costing. Full costing will help in building trust between universities and national and European funders and helps achieve the transition to financially sustainable universities

which, on the European level, will be translated into stronger competitive universities contributing to building the European Research Area.

In its awarding of its grants/contracts and its handling of subsequent financial files (the two major topics prioritised in the public consultation), the European Commission should seek to achieve the following reforms as part of its continuing process of “simplification”. EUA has already submitted the following views through its membership of the “Sounding Board” established by the EC Research Commissioner, Janez Potocnik:-

- To work towards a common terminology and apply these terms in a coherent manner
- To recognize the variation in the status of development and ability to implement costing systems within European universities and provide further help and support to enhance this ability in managing European funding schemes
- A careful analysis of the current rules and how they are applied across a range of universities would be advantageous in the course of the 2010 mid-term review of FP7 – to achieve more efficiency in administrative procedures and to remove unclear or conflicting regulations
- To work towards more coherent and consistent conditions for external funding requirements on EU FP7 level – to keep within the FP7 rules of participation for all funding streams rather than allow a proliferation of different rules
- On the current three possible forms of recovering indirect costs from FP7, the first two models (i.e. analytical accounting system and simplified method) need to allow a wider scope for different methods of identifying the direct and indirect costs of projects
- The certification process should allow for different methods of identifying activities, cost objects, cost drivers, cost basis and determination of staff time and its allocation instead of forcing all institutions to adopt one system

The EUA believes that the need for reform to achieve common terminology and clear and consistent rules and conditions within FP7 grants/contracts and their implementation cannot be over-emphasised. Also, it is crucial that the diversity of grant recipients across Europe is taken into account and the principle of “respecting the usual accounting and management principles and practices of the participant” used as the guiding rule in interpreting the regulations. It is important also for Europe’s Universities that once Rules of Participation (“rules of the game” so to speak) are established they are applied and followed across all EU FP7 funding activities, including Joint Undertakings, so that universities can plan and develop their research collaboration on a sound and sustainable basis.

Lisbon Treaty and the Financial Regulation concerning Research Framework Programmes

Under the recently adopted Lisbon Treaty it is stated in Article 3 (3) that “the EU shall promote scientific and technological advance” and “the European Research Area” is introduced as the policy framework to achieve the objective of strengthening scientific and technological development within the European Union. The timing would now be appropriate, therefore, at this second triennial review to consider whether there should be introduced **a new and specific financial regulation for EU Research Framework Programmes** more tailored to the needs of scientific research and technological development.

The recent EC European Research Area Conference (21-23rd, October, 2009) agreed on the need to seek to establish common principles for the external funding of research by national and European research funding agencies. Its successful follow-up will require extensive consultation between national agencies on the financial regulations governing their awarding of grants and reporting/monitoring requirements which should be valuably linked with “simplification” and reform of FP7 rules and conditions. This initiative could provide also the groundwork for exploring the feasibility of a new and specific financial regulation for future EU FPs based upon the collective practice and experience of existing competitive public funding schemes supporting scientific and technological research.

On 24th June 2009 the incoming Swedish EU Presidency convened a workshop on “ERA Instruments and Governance” which brought together the major European stakeholder associations representing public and private research organizations. The workshop report recommended that an “ERA Forum” be established to bring forward more empirical evidence and structured advice from stakeholders than could be achieved through public web-based consultations alone. The “ERA Forum” proposal should be given serious consideration. For its part, the EUA would be willing to contribute to the work of the proposed Forum.

EUA, Brussels

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