

Submission to the consultation on financial regulations

European Association for the Education of Adults (EAEA aisbl)

Rue d’Arlon 40

B – 1000 Brussels

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Introduction

The EAEA is an NGO with 128 members in 42 countries, representing non-formal adult education and learning on European level. EAEA’s members mainly participate in the Lifelong Learning Programme (and here mostly in Grundtvig); some also work with ESF projects, TEMPUS and related programmes. EAEA itself has received core funding for European associations through the Jean Monnet programme. Our response to the consultation is therefore based on the day-to-day experiences of working with European projects and grants.

EAEA members think that European programmes contribute extensively to their work, their organisations, and their countries. In a recent survey on the Grundtvig programme, EAEA members made comments such as:

- *It has broadened our view on general adult education issues and politics.*
- *Our organisation:*
 - *gained wider experience and knowledge in adult education at international level*
 - *enhanced international network of relevant educational and other diverse institutions*
 - *gained more experience in teamwork and intercultural communication at international level*
 - *enhanced visibility at international level*
 - *improved possibilities of learning by sharing ideas and teaching methods*
 - *improved self confidence*
 - *improved language and intercultural communication skills*
- *New international contacts, broader understanding of adult education as well as language-learning in Europe (different systems, models etc.), better insight into the specific topics, a lot of extremely useful discussion(processes), new ideas, concepts, ways of approaching challenges, new projects etc.*

- *It is important that Grundtvig raises new themes such as higher acceptability of non-formal or informal competences or supports projects on “difficult” topics such as integration, gender or senior citizens etc. It widens the view towards Europe and it plays an important role for the improvement of intercultural understanding and learning.*
- *Grundtvig is important to improve the quality of lifelong learning activities also at national level through exchanges of competences, experiences, didactic tools; to increase transnational relations and networking in this field. Particularly, Grundtvig actions are important in our country especially because the LLL politics are currently absolutely insufficient*

EAEA would therefore like to underline the importance of EU funding and contribute to a better regulation and administration.

Question 1: Are you sufficiently informed about upcoming calls for proposals in a timely manner? What improvements would you suggest?

EAEA answer: Concerning the Lifelong Learning Programme and other calls that concern the lifelong learning sector, the overview is easily and timely presented at the DG EAC and EACEA websites. Nevertheless, there might be other calls in other DGs / organisations that could be interesting, but which are more difficult to follow. Why not introduce a similar system to the information about consultations linked to the lobby register? There, you can sign up to receive information about consultations in certain areas – one could do the same with calls for proposals and tenders.

Question 2: should the rules be more flexible on co-financing requirements taking into account the type of actions and project managers? How could in-kind contributions best be dealt with, while adhering to the non-profit principle?

EAEA answer: Concerning this issue, there is now a chance to integrate more flexibility, which takes into account the way non-governmental and non-profit organizations work. Very often, the budget that is accounted for only shows a fraction of the real working budget of the association. In kind contributions – mainly in the form of working hours – can consist of volunteer work, resources by member associations, work by presidents, chairs or board members etc. An association might have only one employee but might be able to provide the work of four. This makes it extremely difficult to provide co-financing when in-kind contributions are not possible.

We therefore recommend two approaches: the co-financing rates should be kept very low, especially for programmes that contribute to European Commission policy developments and there should be certain flexibility in determining the co-financing rate and how it is determined. For example, an NGO working mainly with volunteers should have the chance to provide lower co-financing.

Question 3: Should the use of lump sums, flat rates become the norm rather than the exception? Should the rules allow for costs to be covered on the basis of expected outputs? If yes, can you provide concrete examples?

EAEA answer: We support a shift to lump sums and flat rates wherever possible. The current practice of very detailed financial planning, which is then administrated in a strict way and leaves little room for flexibility over the project period, is very time consuming and discouraging. We would also welcome financing that relies less on financial outcomes and details but on the results of the project.

Question 4: Should the rules strictly adhere to the non-profit principle or should there be room for some flexibility in this matter? Do you have examples of good practices from other public authorities?

EAEA answer: we would urgently recommend that this be allowed some flexibility. This concerns especially our experiences with the core funding as European Association. A small surplus automatically leads to the reduction of the European subsidy, which makes it impossible to foresee any – even small – reserves. These reserves might prove to be crucial for the good management of an NGO. We therefore suggest that a surplus of up to 10% of the subsidy can be used as a reserve without leading to a reduction of the funding or the loss of the non-profit status.

Example from Denmark:

In Denmark the standard rules are like this: If an organisation is asking for a grant/core funding from a ministry, the amount is set by the donor according to the application. The sum must be shown as an income in the annual accounts; afterwards the ministry will check the accounts and approve it. There is no rule for setting the surplus off against the grant. Thus it is possible to transfer money from one fiscal year to the next. A certain net capital is regarded as a necessity for all organisations.

Question 5: What, in your view, would be the appropriate amount for low and very low value grants?

EAEA Answer: We suggest a doubling of the current amounts, i.e. 50.000 for low and 10.000 for very low grants.

Question 6: How could the rules on operating grants be more flexible? In which way? What are your views on the duration of framework partnership agreements?

EAEA Answer: While the general objective of decreasing European funds is understandable, it puts additional pressure on NGOs. The financial situation of NGOs is a constant struggle for survival and resources. For most NGOs, the development is also not linear. There might be years where other sources provide more support, the following it might be less. Any system that foresees a steady decrease does not take this into consideration.

For most NGOs, the support by the EU is not enough anyway, and other sources of financing have to be tapped into. Negotiations about the decrease of Community funding should be more based on a dialogue with the Commission and probably based on the decrease in the percentage of the funding rather than the amount.

Question 8: From your experience, what alternative solutions could be proposed for prefinancing payments while safeguarding tax payers' money?

EAEA Answer: Remove the requirement for interest accrued on pre-financing. The amount of money that goes back to the European Commission is in no relation to the resources necessary to administrate it.

Question 9: What mechanism, other than pre-financing guarantee, could be explored while ensuring adequate protection of community funds?

EAEA Answer: Remove the option to require financial guarantees from the Financial Regulation. If there is a significant risk to advance funding, the Commission should change to paying quarterly in

advance. Allow grants to be refused on the basis of significant financial risk, but only after taking into account the beneficiaries being targetedⁱ.

Question 10: Based on your experience, do you think current thresholds are still adequate or should they be increased, and why?

EAEA Answer: We propose a doubling of the amounts for the thresholds. When it comes to smaller amounts – which are often linked to complicated procedures – it is often more difficult to find enough tenderers that are interested!

Question 11: How could the application procedure for both grants and contracts be further improved?

EAEA answer: For this answer, we rely on and agree again with the proposal in the report ‘Striking the Balance’.

The eligibility requirement information should be removed from the application process and be replaced by a separate submission to an ‘Eligibility Database’.

- Initial vetting could be through remote access to a database including questions that require yes/no answers, or values, that enable the system to ‘estimate’ eligibility.
- For first time applicants, the legal documents, which are usually in a local language and usually unique to a country, should be sent to the Commission’s national representation for checking by a national official. This would have to be completed before a contract could be signed.
- After the first application records would only need to be updated.

A 3-5 - page concept paper, plus an outline budget and a Logical Framework Analysis should be used to judge project relevance and give an overview of the activities. It should not be more than 5 pages.

The full application form should be completed only by those who are selected for the next stage. This can then show more detail of the project activities and the associated costs. It should include only enough information to form a reasonable view of the applicant’s capacity and skills, whether the activities are likely to lead to the achievement of the objectives, that the activities are adequately costed, and that a contract can be agreed. It should expand on the 3 page concept paper that has already been approved for the application to reach this stage.

The cost of producing the full proposal, including planning costs and the cost of raising co-finance should be included as part of project costs eligible or a grant. They should be limited to a maximum percentage of the grant available.

The number of organisations selected to reach the full application stage should be limited to enable very high pass rates to minimize the costs of failed applications to both NGOs and the Commission.

The objective should be to keep the requirements to the minimum necessary so that applications:

- Can be easily understood
- Can be reviewed cost effectively
- Minimise the cost of the process to the Commission and to applicants

To facilitate this, any point scoring system should focus on key drivers, not detail.

Co-finance

The time given between concept paper and full application should take into account:

- Value of co-finance to be raised and likely partners
- The number of partners who have expressed interest

It is only at this stage that firm commitments need to be obtained from co-financiers and partners.

Contract

There should a published time limit set for completing contracts. The Commission should be bound by these time limits. If the deadline is missed, the NGO should be allowed to begin work on the project, and claim the costs of the work done prior to signature.

ⁱ We have taken this recommendation from 'Striking a Balance. Efficiency, Effectiveness and Accountability. Report by F.M. Partners Limited, 2005. P. 34.