

## **EARTO Response to EC Consultation on the Revision of the EU Financial Regulation - How to Improve Impact of EU Spending to Foster Innovation-Driven Growth**

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In view of the revision of the EU Financial Regulation, the European Commission (EC) has launched a public consultation. This paper complements the EARTO response to the consultation survey.

In order to encourage innovation-driven growth and jobs, Europe needs a clear and sound EU financial framework. On behalf of its 350 European Research & Technology Organisations (RTOs), EARTO would like to congratulate the EC for its goals to simplify the EU Financial Regulation to improve the impact of EU spending and therefore foster innovation. EARTO members extensive experience in benefiting from EU funds, such as the EU Framework Programmes for Research and Innovation – where they have received in average one third of the funding – and the European Investment and Structural Funds (ESIF), allows them to have an overview of the financial rules needed to further improve EU spending.

Accordingly, EARTO members would like to put forward comments on the following issues:

1. **Increased use of financial instruments such as loans:** As already previously stated by EARTO (1), when looking at research & innovation, lending tools can only work as complements to grants. Loans alone will not answer the need of R&I activities which have to be partly publicly supported. European leaders should realise that the EU R&I model based on having grant programmes like Horizon2020 supporting cooperation among various R&I stakeholders, including RTOs, is being considered very seriously by Canada (2) and the United States (3). Our model fits Europe today: our challenge is to ensure coherence and complementarity between different policies and their funding mechanisms to ensure maximum impact of policies and instruments. This is a challenge that RTOs are picking up today.
2. **Increased use of lump sums, flat rates and unit costs:** Those should not be generalized to research & innovation related programmes. Research actors such as RTOs and universities rely on actual cost calculation methodologies. Simplified forms of cost reimbursement as used today do not provide sufficient funding for R&I activities (see EARTO comments on the 2010 revision of the Financial Regulation (9)) and is not producing the expected results as the burden to justify direct cost is increasing significantly.
3. **Simplification of auditing and reporting rules:** EARTO welcomes the willingness to simplify auditing and reporting rules for direct beneficiaries and authorities under shared-management of the EU budget, such as regions. As previously stated by EARTO in its paper on EU Auditing Approach (4) discussed with the European Court of Auditors, auditing of EU funded projects can be over-burdensome. In addition, EARTO has recently published a paper on ESIF Simplification to boost regional spending (5) bringing forward some issues within ESIF which could be taken into account for the revision of EU Financial Regulation. Finally, EARTO has also provided various comments on Horizon2020 simplification efforts (6).
4. **Increased convergence of rules:** As explained in a paper (7), EARTO believes that the next funding period should focus on reaching better synergies of funds as a means to create more impact from EU R&I funds. However, we must be careful that synergies do not drive future research and innovation policies, but rather support such policies. Synergy should not be a goal in itself but a means to an end. In this context, convergence of rules are key and should aim at making procedures simple and transparent for “end users”. Synergies efforts should not mean funding one project using various EU funding sources at the same time as implied by question 5.2 of the consultation.
5. **Information on EU financing available in work programmes:** For Horizon2020’s work programmes, the question seems to be: how to manage contents & their level of description in such a way as to avoid oversubscription (amount of elements vs precision of the request). For EU tenders, the issue would be more on how to make sure that the elements required allow the right amount of quality (ratio price vs quality, so far favouring price). On the date of publication, one has to look at the timing between publication of the work programme

versus the deadline of the calls attached to this work programme, allowing for a reasonable delay between the two dates rather than to focus solely on a fix date of publication for the work programme.

6. **Flexibility in case of crisis:** EARTO welcomes more flexibility to answer crisis using the trust funds. However, this should not entail the possibility to sabotage one existing and well-functioning fund to create a completely new fund with different purposes as we have recently seen with the new Juncker Plan and Horizon2020. EARTO and other key R&I stakeholder organisations in the EC ERA Stakeholder Platform have published several papers on this issue (8).
7. **Outputs-based controls:** Moving towards output-based monitoring is attractive in principle and, indeed, corresponds to practice in certain funding programmes within Europe and elsewhere. However without much more information on what the plans would be (many questions raising on what outputs would be for R&I programmes and would failure be accepted as one possible outputs for e.g.) and if supported by Court of Auditors and European Parliament, we prefer to reserve our position at present. Should there be a cross-institutional consensus on this issue, it will be crucial to implement the new control mechanisms in a uniform way across Commission services, to maintain a certain level of legal certainty.

EARTO members welcome the EC's willingness to improve the EU budget implementation. However, care must be taken not to undermine research & innovation programmes which would have a negative impact in jobs & growth creation. We remain open for discussion with the EC, European Parliament, Member States and European Court of Auditors on the above-mentioned points.

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***EARTO** is a non-profit international association established in Brussels, where it maintains a permanent secretariat. The Association represents the interests of about 350 Research and Technology Organisations (RTOs) from across the European Union and "FP-associated" countries.*

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**References:**

1. [EARTO Open Letter on EFSI - April 2015](#)
2. [Canada sets up its first RTO following EU RTOs model which is driven by innovation, committed to providing leading-edge support and dedicated to building economic competitiveness](#)
3. [Obama will unveil \\$1-billion national manufacturing innovation network initiative based on Germany's Fraunhofer Institutes](#)
4. [EARTO Feedback on EU Audit & Control Approach – March 2015](#)
5. [EARTO Paper on ESIF Simplification – April 2016](#)
6. [EARTO & IGLO Members Joint Feedback on the 1st Horizon 2020 Programme Calls for Proposals - September 2014](#)
7. [ERRIN & EARTO Comments to the Commission Staff Working Document "Enabling synergies between European Structural and Investment Funds, Horizon 2020 and other research, innovation and competitiveness-related Union programmes" - July 2014](#)
8. [CESAER, EARTO, EUA, LERU, Science Europe Joint Statement on Juncker Investment Fund - January 2015](#)
9. [EARTO Comments on the Triennial Revision of the Financial Regulation - December 2010](#)