



Results - Survey on Financial Regulations

Overview and Recommendations

Survey running from April 25th to May 11th 2016
49 respondents

Note: the survey was designed in a way that respondents could skip questions they don't want to answer. Therefore the number of answers varies from question to question.

The survey was initiated by [Civil Society Europe](http://www.civilsocietyeurope.eu)

Q2 What kind of grant do you prefer for projects? (multiple choice)

Answer Choices	Responses	
reimbursement of real incurred costs	51.16%	22
flat rate (reimbursement based on an agreed percentage of other costs)	34.88%	15
unit costs (reimbursement based on an agreed pre-determined amount per unit)	25.58%	11
lump sums (reimbursement based on an agreed pre-determined global cost)	58.14%	25
Total Respondents: 43		

Q3 What kind of grant do you prefer for operating grants? (multiple choice)

Answer Choices	Responses	
reimbursement of real incurred costs	38.10%	16
flat rate	38.10%	16
unit costs	21.43%	9
lump sums	47.62%	20
Total Respondents: 42		

Q4 Have the use of lump sums, unit costs or flat rates... (multiple choice)

Answer Choices	Responses	
facilitated reporting?	62.50%	20
alleviated the administrative burden?	65.63%	21
increased certainty about the level of the EU contribution?	34.38%	11
Total Respondents: 32		

Comments and recommendations:

Respondents prefer the use of lump sums for projects (58,14%) followed closely by the reimbursements of real incurred costs (51%). For operating grants lumps sums are preferred by a majority (47,62%), but reimbursement of real incurred costs and flat rates are in second position (38,1 %).

A majority of respondents considers that the use of lump sums, unit costs or flat rates has alleviated the administrative burden (65,63%) and has facilitated reporting (62,5%), however over a third has skipped this question.

In their remarks, several respondents have noted that the possibility to use these new facilities is in principle positive, but because of additional reporting documents by Commission services, in practice the administrative burden is not alleviated. In this situation

it is also unclear what documents need to be kept in order to be provided to the administration. Audit rules should therefore be made clearer.

Moreover these instruments do not always allow to cover real costs. For instance in education and youth grants, the use of a lump sum for coordination and dissemination does not allow to cover the real costs which are higher in a majority of countries than the amount allowed. Lump sums for the organisations of events are easier to manage, but are riskier for the organiser of an event in case of unforeseen circumstances (eg accidents, illness of participants, cancellation of flights, etc). It is therefore recommended to raise the level of lump sums and unit costs to the actual reality of costs. It is also important to find ways of recognising volunteering work.

Furthermore some of these facilities such as flat rates are not compatible with national regulations. When a grant includes national co-funding, or different funding sources, it becomes difficult to manage.

Q5 If you had the possibility to choose between the reimbursement of actual costs and the payment of lump sums, flat rates or unit costs, would you still prefer the reimbursement of actual costs?

Answer Choices	Responses	
Yes	54.76%	23
No	45.24%	19
Total		42

Q6 If yes, why? (multiple choice)

Answer Choices	Responses	
lump sums/flat rates/unit costs do not cover the real costs;	77.27%	17
reporting as regards lump sums/flat rates is too burdensome	22.73%	5
the system of lump sums/flat rates/ unit costs is too complex and it's not totally clear how they are established	36.36%	8
Total Respondents: 22		

Comments and recommendations:

More than half of the respondents (54,76%) to the survey prefer real costs to lump sums, flat rates and unit costs. Among them 77,27% of respondents consider that lump sums, flat rates and unit costs do not cover the real costs. Over a third also thinks that the system is complicated.

Suggestions to improve the system include:

- to allow a mix of actual costs and lump sums

- allowing also a qualitative assessment of the project results
- the level lump sums and unit costs to be raised in order to fit the reality of costs incurred by organisations

Q7 Would you be in favour of including contributions in kind as co-financing?

Answer Choices	Responses	
Yes	87.18%	34
No	12.82%	5
Total		39

Q8 What changes in EU rules would help to reduce your administrative burden?

Recommendations:

- Rules must be consistent from one Directorate General to the other, as well as for all EC delegations in third countries. Officers need to have a consistent training to apply the rules consistently and avoid adding additional requirements or asking contradicting requirements. (eg subcontracting, exchange rates rules, administrative costs, etc.)
- A common user-friendly implementation document should be made available also to grantees.
- Officers should also have further knowledge of national rules and there should be greater sharing of knowledge among officers within different directorates and delegations.
- Rules should not change during the implementation of a project
- the specificities of NGOs in the implementation of rules should be recognised for instance by considering in-kind contributions as co-funding
- simplified application forms with user-friendly language, standardised accross calls should be used and should be made lighter for smaller grants
- One application only should be required for multi-annual grants
- Require basic information focusing on objectives, strategies and tools and ask for detailed information only after project approval: eg provision of partnership agreements
- Limiting requirements for formal amendments to projects, and develop easy procedures for this
- Allow use of electronic documents for both applications and interim and final reporting
- simplify both narrative and financial reporting requirements
- focus evaluation of grants less on the actual implementation of deliverables, and more on outcomes and impact

- multiple year project grants in international cooperation should allow for disbursement linked to the actual expenses budgeted for each year, rather than dividing the total by the number of years of implementation
- Give clear and prompt guidance and feedback on interim reports and payment requests and simplify procedures

Q9 Is the 7% flat rate for overhead/ indirect costs considered reasonable by your organisation?

Answer Choices	Responses	
Yes	28.21%	11
No	71.79%	28
Total		39

Q10 What would be a reasonable percentage?

A majority of respondents consider that 15% would be the most reasonable rate.

Q11 What is your experience with Bank Guarantees?

Comments and recommendations:

Roughly half of the respondent to that question have no experiences with bank guarantees. For all others it was impossible to get a bank guarantee, especially for smaller organisations. The request for a bank guarantee creates additional problems for beneficiaries and leads to delays in project or working programme implementation and keeps smaller organisations away from projects. The situation got worse after the bank crisis.

Q12 What would you change in the auditing rules?

Comments and recommendations:

Respondents found in general that there was not a problem with the rules themselves, but with their uniform interpretation and implementation and also highlighted the need for consistency between the financial regulations and audits rules. Furthermore auditors should not only take into account the need for justification of an expenditure, but also the correctness and successful implementation.

In particular the following recommendations are made:

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- Simplified, harmonised and transparent rules for auditing, as well as uniform occurrence of ex-post audits (less audits, but more evenly spread)
 - Clear guidelines and procedures should be received in advance of the audit, and should be uniformly applied throughout. In particular:
 - An harmonised audit report template should be available
 - A list of requirements in case of an audit to be made available to grant beneficiaries at the signature of the contract
 - uniform trainings should be organised for auditors, to avoid different interpretation and requirements (eg justification of lump sums, time sheets for full time staff, etc)
 - In the case of multi-annual grants, ex post audits should be limited to one every three years
 - ex-posts audits should not be enforced for grants under a certain amount
 - speeding up communication procedure between the audit and the final report, as this takes often months
 - develop simple and transparent procedures in case of disagreements related to the eligibility of costs, in particular a dispute settlement system should be established
 - it is also suggested for the EU to have a system of certification of independent auditors, to be hired by grant beneficiaries as part of the grant implementation. This would allow more consistency between the Commission's auditors and the external auditors interpretation

Q13 How would your perfect timeline look like for the period from application to final payment?

Recommendations:

The main issues for a perfect timeline are:

- A shorter period of time between application deadline and grant decision (≤ 6 months)
- A much faster final payment (≤ 3 months)
- A pre-payment at the beginning of the project of $\geq 80\%$

For beneficiaries of an operating grant:

- A grant decision in December the latest for the following year
- A pre-payment of $\geq 80\%$ in January / February
- Reducing the cash flow crisis while waiting for the final payment for the previous year and the pre-payment for the current year at the same time.

Q14 Do you agree with the increase of the use of trust funds as a way of improving flexibility?

Answer Choices	Responses	
Yes	26.67%	8
No	33.33%	10
Other (please specify)	40.00%	12
Total		30

Other

Comments and Recommendations: please see comments and recommendations - Q 16

Q15 Do you consider current trust funds to be managed in transparent and accountable manner, and are the procedures clear?

Answer Choices	Responses	
Yes	14.29%	4
No	46.43%	13
Other (please specify)	39.29%	11
Total		28

Comments and recommendations:

A majority of organisations is not aware of the functioning of trust funds. Those that do signal a problem of transparency. While at the beginning there was an effort of communication, NGOs are not at all involved in the identification and formulation of actions.

In general procedures for applications should be more transparent.

It is recommended to develop clear processes and guidelines on applications. Often contradictory information is given and the relevant Commission service and the delegations do not agree among themselves on access to the funds by NGOs.

Q16 Please add your comment on trust funds

Comments and recommendations:

Many respondents were not aware of these instruments and their functioning, but some noted that in certain areas where the public good is at stake (eg education) the application of trust funds could lead to States' financial disengagement. Also there is a risk that only certain types of intervention which would be more interesting for the private sector, or attract more media attention, or are considered more urgent would be privileged at the detriment

of long term and consistent interventions. Also the tendency of EU member States in recent years to increasingly divert official development assistance to fund assistance to refugees in Europe, instead of creating specific funds, or even prioritising security and border control, is detrimental to the global fight against poverty.

In the field of international cooperation and humanitarian aid, the following remarks were made:

- trust funds tend to exclude smaller NGOs
- country and regional ownership is not ensured because of lack of consultation of local authorities and civil society.
- because of the volume of the funds involved NGOs tend to become in practice implementing agencies rather than implementers, diverting them from their main mission
- the system does not leverage new funding but leads to a reduction of donors: NGOs need to find co-funding and cannot claim anymore from agencies that are involved in the trust funds. This is even more problematic as UN agencies are eligible for grants within trust funds
- we call for an external evaluation of the existing trust funds mechanisms before proposing new ones

Q17 Do you agree with an increased use of financial instruments (loans, guarantees, equity and other risk-bearing mechanisms) in the future?

Answer Choices	Responses	
Yes	18.52%	5
No	44.44%	12
No opinion	37.04%	10
Total Respondents: 27		

Q18 Do you find the Financial Regulations and Rules of Application clear enough?

Answer Choices	Responses	
Yes	34.29%	12
No	14.29%	5
More information is needed	51.43%	18
Total		35

Q19 Would you be in favour of one single rule book including only the most important rules are set by the European Parliament / Council, and less important rules would be set by the EC?

Answer Choices	Responses	
Yes	68.75%	22
No	31.25%	10
Total		32

Comments and recommendations:

There should be really one book with all rules and applicable to all DGs. The book should be clearly structured, regularly updated and should cover everything from application to auditing.

Respondents are not very concerned about who sets the rules, as long as the process is transparent. It is important however to take into account the purpose of the different instruments (eg. financial instruments or procurement versus grants) and the nature of the beneficiaries (in our case NGOs).

Q20 Would you accept to be reimbursed your costs based on the concrete objectives/results achieved?

Answer Choices	Responses	
Yes	33.33%	10
No	66.67%	20
Total		30

Comments and recommendations:

Two thirds of the respondents are against this approach for the following reasons:

- it is very difficult to measure the impact of projects or of actions as NGOs operate in sectors and areas that are largely dependent on external factors that cannot be controlled
- it is very risky to assess the implementation of objectives, or use aspirational targets
- not all results are quantifiable
- projects are also useful to test new approaches which by themselves are liable to failure
- it would be difficult to establish solid performance indicators. They might be liable to interpretation and penalise project beneficiaries, especially smaller NGOs which would face additional administrative burden as a result
- Respondents found also that current indicators and measurement instruments are already confusing, and that external evaluators often lack the necessary expertise leading to an additional layer of complications

The following suggestions were made:

- encourage applications that describe realistic outcomes, to be evaluated also on the basis of the credibility of the applicant and their previous projects records
- clear quantitative and qualitative indicators should be agreed between grant authorities and beneficiaries
- funding programmes that allow to delegate the implementation and financial responsibility of concrete outcomes to the different partners (eg placements, meetings, etc) could be an example and the system could be also applied for lower grants.

Q21 Should you want to raise specific points not covered by the questionnaire, you can include them below.

Comments and recommendations:

Review of rules should lead to reduction of administrative burden and simplification throughout the whole project cycle from proposal to ex post audit. National and EU rules should be streamlined in order to guarantee effectiveness. Simplification should be at the benefit both of grantees and the EU.

Call for proposals should be more targeted and not offering multi-million Euro grants where the success rate is below 5%. There is a tendency on European and national level to treat associations more and more like companies, ignoring the special character and capabilities of associations. The co-financing rate should be kept to a minimum for CSOs and financial instruments are not an appropriate tool for CSOs. Beneficiaries of an operating grant have to be put in the situation to be able to start their work in the beginning of the year, not waiting for EC yearly work programmes or grant decisions. In order to “build a stronger partnership with civil society organisations” and contribute to civil society growth, grants to small NGOs have to be encouraged. There is a growing habit of giving big grants to large NGOs leads to small sub-grants for smaller NGOs in a non-transparent process. Larger NGOs should not be used as funding agencies. Training sessions involving all actors both funders (DGs, EU delegations, national or local authorities) and grantees should be organised. User-friendly and crystal clear practical guides (see PRAG for development cooperation) should be developed or improved to avoid different interpretation of rules, in consultation with civil society.