EU FUNDING:

LESS MONEY

MORE COMPLEXITY

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From your point of view, how important is investment in universities to more effective economic development?

Firstly, universities produce a highly qualified future workforce that is essential to drive economic development. Any funding cuts there could have a long-term impact on having a skilled workforce. It might also make it more difficult to attract highly skilled people from outside the national system and they might leave to other systems.

Secondly, universities are vital for economic recovery and are the key stakeholders for meeting Europe’s education, research and innovation objectives. If the funding base deteriorates for institutions, then you are making cuts to a really important motor driving economic development. There are many studies showing that universities contribute significantly to societal and economic development.

What effect would cuts to European funding have on less economically developed Member States? Will cuts enhance the disparity between wealthy and less wealthy countries in terms of research?

First of all, because the effects can only be evaluated to their full extent afterwards, we have to be very careful in making certain assumptions about the impact. But we can see how funding is developing at the national level and we can therefore express concerns about what might be likely developments.

The European University Association (EUA), representing over 800 universities and 33 national university organisations, looks at this issue from the university perspective. Obviously, any cuts to Horizon 2020 funding are problematic. Receiving almost 40 per cent of the total Horizon 2020 budget, universities are the largest beneficiary group.

The success rates of competitive grant applications have gone down from the Seventh Framework Programme (FP7); success rates were 20 per cent for FP7, but 14 per cent for the first Horizon 2020 calls. So that was the situation even before the cuts to Horizon 2020 were announced.

At the same time, there have been cuts to national research funding, which we monitor through the Public Funding Observatory. There is a diverse situation across the continent, but many higher education systems have cut their public funding in recent years.

We must also consider how different European funding sources are spread between member countries. Traditionally the Eastern and Southern European countries have received more structural funds than research framework programme funds. All of this is very important when evaluating whether and how cuts may have an impact.

The overall picture seems quite complicated at the EU level. What about if you drill down to different national systems?

It is also very complex!

Many national governments expect their universities to attract more funding from European sources. This creates tension in the whole EU system as member countries cut national funding to universities and expect them to get more funding from Europe to make up for it. Meanwhile, the success rate for these sources is already quite low.

Some governments actually set targets for achieving EU funding, while also sitting at the European Council and agreeing to reduce European funding for research or channel it to other areas. For example, the Irish Government wants to double the return from Horizon 2020 over the whole National funding in EU Member States is falling, while increased strain is being placed on EU funding streams. International Innovation’s Katherine Maclnnnes speaks to Thomas Estermann, Director for Governance, Funding and Public Policy Development at the European University Association, to get the full picture on how funding cuts could affect universities.
programme duration, and Denmark is aiming for 2.5 per cent of the Horizon 2020 funds. There is no coherent logic in this, as Horizon 2020 funding is not meant to replace national funding.

**What effect could this have?**

This could cycle into a much bigger issue as both national and EU systems continue to cut funding. Where will we see the impact? Some systems will need to reduce the volume of research they undertake as they cannot continue with the same amount with significantly less funding.

Furthermore, there is already high pressure on the research infrastructure – university buildings, laboratories, all sorts of research equipment. Cuts make it difficult for many countries to maintain their infrastructure at an appropriate level. On top of that, most competitive funding schemes don’t fund the full cost of research. In places where national systems can’t invest anymore in research infrastructure, they will have a competitive disadvantage.

We’ve also seen impacts on staffing. Salaries have been reduced and people have been laid off in several systems. That obviously has an impact on how you manage the teaching mission at the institutional level as well as on the volume of research you can undertake.

**Is EU funding biased towards more developed EU Member States?**

There are different EU funding programmes with different aims and purposes. Structural funds aim to upgrade and improve, among other things, the level of infrastructure. Excellence funding programmes like Horizon 2020 only evaluate the excellence of the proposals.

Those systems that have strong experience with competitive funding sources and a better funding base are successful. These are countries like Germany, the UK and France and, according to the latest statistics, they had the highest share of Horizon 2020 funding.

At the institutional level, it is also universities with a good funding base, well-developed support services and a focused strategy that are far more successful.

**How can EU funding mechanisms enable less economically developed Member States to thrive?**

Structural funds for example have been playing an important role in upgrading research facilities. But one of the big challenges with those funds is that the systems themselves need to continue to invest in the infrastructure once the European funding has stopped.

Other funding schemes like Horizon 2020 fund collaborative projects on the basis of excellence. They facilitate research connections across Europe so that the best brains meet the best brains. They also fund projects that could not be undertaken at the national level alone. It is therefore important that the level of this European funding is continued.

There is a second important element that has also been a constant concern of ours, which is to reduce the complexity and make European funding simpler.

There is huge administrative complexity in the application, accounting and reporting processes for EU funding schemes. This requires a large amount of staffing resources, which is costly. While certain processes are admittedly needed for accountability and transparency, there is still an enormous potential for improvement in terms of cutting down bureaucracy.
European funding schemes should be made more efficient, so that less money goes into procedures, but rather into the research and innovation activities themselves.

What is your opinion on the new European Fund for Strategic Investments (EFSI)?

What we certainly don’t need is a replacement of grants funding with loan funding. This is why we are very strongly opposed to taking money from Horizon 2020 to move it into a loan funded investment programme like EFSI. EFSI was announced in 2015, and we had a huge campaign to discuss this with European stakeholders to make them understand that EFSI funds would not go to universities in the way that Horizon 2020 funds do. We found that some actors really weren’t clear on the difference between a loan and grant programme. In a context of declining national funding for universities, a loan programme is one that just won’t work.

We don’t think this is the right way to fund research. There is nothing wrong with setting up a fund that should encourage private investment, but it should not mean a cut to a highly successful and important grant funding programme like EFSI. EFSI was announced in 2015, and we had a huge campaign to discuss this with European stakeholders to make them understand that EFSI funds would not go to universities in the way that Horizon 2020 funds do. We found that some actors really weren’t clear on the difference between a loan and grant programme. In a context of declining national funding for universities, a loan programme is one that just won’t work.

How do you see the European funding landscape developing?

We can see that funding is getting more competitive. The whole question of efficiency is becoming increasingly important for funding programmes and institutions.

The mid-term review of these funding programmes will be a first evaluation of how much the European Commission has improved the implementation of Horizon 2020 in comparison to FP7. From the consultation that EUA is undertaking with its membership it’s already clear that there are still many things to be done in order to reach real simplification. There has been progress in some areas but each programme can still be made more efficient.

As a European organisation, we aim to demonstrate to national and European funders the negative impacts cuts have, while pointing out the positive contributions from universities towards economic development and society. We try to make the different funders understand that they have to look not only at their own funding, but also at the overall situation and how they are connected. All actors have to work together to create the right conditions to enable universities to be key contributors for Europe’s competitiveness.

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PUBLIC FUNDING OBSERVATORY

Through their Public Funding Observatory the European University Association looks broadly at public funding going to European universities.

The Observatory has monitored funding since 2008. When looking at 2008-14, with adjustment for inflation, the Public Funding Observatory shows that:

- In Croatia, Slovakia and Slovenia funding has decreased by 5-10 per cent
- In Czech Republic, Spain, Iceland, Italy and Serbia funding has decreased by 10-20 per cent
- In Ireland, Lithuania and the UK funding has decreased by 20-40 per cent
- In Greece, Hungary and Latvia funding has dropped over 40 per cent

As Thomas Estermann explains, this does not mean that countries with the largest cuts are necessarily the worst off: “For example, the UK has had a big change in the university funding system where national funds have, to a large degree, been replaced by tuition fees”.

“In other countries, such as Greece, Hungary and Latvia, the cut is really a cut,” adds Estermann. “There, the cut really does have an impact on both the teaching and research missions of universities.”

The European Fund for Strategic Investments is a loan system that supports strategic investment in areas that include infrastructure, education, research and innovation, and also provides funds for small businesses.