2028-34 management fee

As stipulated in the Regulations on the establishment of Erasmus+, a large part of the programme is subject to indirect management by National Agencies (NAs). These NAs receive a management fee from the European Commission, covering part of the management costs. Member States are obliged to provide adequate co-financing for the operations of their NAs to ensure that the programme is managed in compliance with the applicable Union rules.
Since the start of Erasmus+ in its present form in 2014, there have been developments which have had an impact on the work of the NAs, on the management costs and on the coverage of these costs.
This paper provides an insight into the challenges that NAs face in fulfilling their obligations as stated in Contribution Agreements in relation to these developments and their impact.

The establishment of the EC management fee
Both in the previous and in the current programme period, the EC management fee has been set at a fixed percentage of the programme budget: 3.4% in Erasmus+ 2014-2020 and "at least EUR 810 942 000", representing 3.3% in Erasmus+ 2021-2027 – **a decrease from the previous to the current programme**. Generally, the EC management fee for NAs more or less follows the development of the programme funds, although a raise of the programme funds has not always led to a rise of the management fee.

Co-financing by the Member States
Until 2014, cofinancing by the Member States had to match the management fee provided by the Commission. Since 2014, the Regulation only stipulates that Member States should provide "adequate co-financing". As might be expected, this has led to a broad variety of situations. In some countries, the national co-funding amounts to only 10-15% of the total management fee. This makes it even harder for NAs to fulfil their tasks and responsibilities.

Factors that have an impact on the financial and operational capacity of the National Agencies

<u>Inflation</u>
The fact that the EC management fee is linked to the programme budget as a whole, makes it predictable. However, it also means that financial and socioeconomic developments during the programme period are not taken into consideration. The high **inflation** rate in Europe in recent years resulting in both higher material costs and higher wages, has thus seriously affected the NAs. The relatively small increase of the EC management fee (thanks to the increase of the programme funds) has by far not been enough to compensate for these raising costs. On the other hand, (elements of) the Erasmus+ grants, such as unit costs and travel costs, have been raised, to reflect inflation rates that were in some Member States more than 20%.
Inflation consequences stayed and are still present and currently, inflation in EU is again rising.

<u>Increase of applications and projects</u>
The **number of applications and projects** has increased substantially over the years. With more actions the process of giving information about the programme, selecting projects, contracting organisations, and monitoring and finalising the projects asks more and more from both NA staff and external experts (whose tariffs have gone up). The operational capacity of the NAs has not been able to evolve in line with this growth. The management fee is calculated from the available budget and not the amount of applications that need to be processed which drastically increased in past years.

<u>More tasks</u>
The number of tasks also increased considerably with all the **additional procedures** NAs need to perform.

The steps to be taken during the assessment process have expanded considerably. In previous programme periods, NAs were required to check eligibility, quality, double funding and financial capacity.

In the current programme, they need to check eligibility, quality, operational capacity, multiple submission, plagiarism, double funding and risks. Moreover, they need to validate partners, calculate the project grants for some actions themselves and look for ways to reduce project budgets. These tasks (partly done manually) take a lot of time and human resources of NAs.

The AI used by the applicants has created extra workloads. Creation of an AI generated application that takes hours to evaluate now takes only tens of minutes to create and problematic beneficiaries are "trying their luck" hoping the more applications they submit, the higher their chance. In addition, the assessment of the proposals takes more capacity, as NAs need to invest more in checking whether the AI written proposals match reality. Huge increase can also be seen in number of redresses as even poor applications and their evaluations are now being disputed by clearly AI generated appeals. With necessary due dilligence on the side of NAs these present tens of hours of extra workload not reflected in the management fee at all. These also result in more court disputes and extra costs connected to necessary **legal counseling** fees.

The (new) option of **accreditation** lead to less complicated budget requests for KA1,but the accreditations themselves require an additional line of action by NAs, from sharing information to giving advice to monitoring. The accreditation processes have streamlined the funding request procedures but have also made it necessary for NAs to draft and put in place a new strategy and associated operational processes for the evaluation and monitoring of the accredited organisations. At the same time, NAs need to make sure that the programme remains open and atractive for non accredited organisations. This includes making evidence-informed decisions regarding the spliting of the KA1 budget between accredited and non-accredited organisations.

The **horizontal priorities** of the Erasmus+ programme require additional efforts by the NAs. Specific coordinators and/or contact points need to be appointed (for inclusion, for green Erasmus+, for digitalisation, for participation, for GDPR), specific action plans have to be designed, developed and implemented (such as the Inclusion strategies). In order to fulfil their role, NAs need to build knowledge and expertise about the horizontal priorities, in addition to the regular knowledge and expertise in the field of programme management.

NAs are expected to step up their efforts to support potential beneficiaries and beneficiaries in order to achieve the objectives of the programme(s). Particularly the aim of making the programme more inclusive and attract more **newcomers** to the programme means that NAs need to spend more time and energy on target groups that are often not easy to reach and need support to access the programme. In order to fulfil their role, NAs need to invest in outreach and supportive approach.

More in general, the **connection between the Erasmus+ programme and broader policies** with regard to education,training, youth, volunteering and sport requires more efforts from NAs to realise the expected contribution of the Erasmus+ programme to these broader policies. As the Erasmus+ Annual Work Programme shows, the programme is supposed to contribute to an almost countless variety of policies and agendas, such as the European Education Area, the European Union Youth Strategy 2019-2027, the European Pillar of Social Rights, the European Skills Agenda, the Council conclusions on Skills and Competences for the Green Transition, the EU Framework on Key Competences, the New European Innovation Agenda, the European Agenda for Adult Learning 2021 2030, the Council Recommendation 'Europe on the Move', the Council Resolution on the Framework for establishing a European Youth Work Agenda, the Digital Education Action Plan 2021-2027, the EU Work Plan for Sport, et cetera.

In addition, NAs are expected to stimulate and foster **synergies with other Union programmes and instruments**, such as the Horizon Europe, ESF+ and the Cohesion Policy Funds. NAs need staff that are experts in these matters and can dedicate appropriate time for their new work responsibilities.

Although **centralised actions** are managed by the European Education and Culture Executive Agency (EACEA), NAs have a role in the dissemination of information and promotion of calls for proposals and on results of projects or actions centrally managed by the EACEA. For this purpose, a Memorandum of Understanding has been developed which outlines the collaboration of EACEA and NAs. In addition to this formal role, NAs receive many requests for support in their respective countries regarding centralised actions, as institutions and organisations see the NAs as the national gateway to the entire Erasmus+ programme.

In order to gather and share information on the impact of the Erasmus+ programme, NAs need to invest more and more in **monitoring, evaluation and research** and in the **dissemination of results and sharing of good practices**. So far, this has been hampered by the lack of clear indicators and the lack of complete and correct data. NAs have, both separately and through their networks, invested in research, but during the final evaluation of the 2014-2020 programme period and the mid-term evaluation of the 2021-2027 programme period, remarks have been made about the quantity, the quality and the consistency of the work done so far. Although this is arguably a task at central level rather than at national level, it appears that NAs will be required to step up their efforts in this field.

During the programme period 2021-2027 COM asked NAs to make a switch from project monitoring **to organisational monitoring**, including their partners. Also are NAs requested to share relevant outcomes with other NAs. This resulted in an increase of staff on monitoring and compliance. COM confirms the urge for this way of working during the Supervisory Visits, where they request NAs to (further) invest in their compliance departments.

The growth of the Erasmus+ budget has made the programme more attractive to **dubious actors**. NAs have been forced to develop and/or hire specialist knowledge and expertise in the field of **compliance**, more particularly with regard to **irregularities and suspicions of fraud**. As a common approach, clear guidelines and appropriate instruments were prepared extremely late, NAs had to pioneer, which has been and still is very time-consuming. Particularly when cases result in budget cuts or ending of projects with a zero budget, this often leads to formal objection procedures and even court cases, which not only require staff capacity but also imply increasingly high legal costs.

With more complex and high-risk cases, including but not limited to suspected fraud, irregularities, misuse of funds, serious contractual disputes, safeguarding concerns, complaints, data-protection issues and cases involving the possible recovery of funds, extensive investigation, detailed documentation, additional monitoring and prolonged engagement with beneficiaries, National Authorities, the European Commission and other relevant bodies is required. They may also result in significant expenditure on specialist legal advice, external audits, external expertise, or court and recovery proceedings. These costs are often unpredictable and can be substantial. They are not directly linked to the overall programme budget or the number of grants awarded and are therefore not adequately reflected in a management fee calculated as a fixed percentage of programme funds. A relatively small number of complex cases can absorb a disproportionate amount of an NA's financial and staff capacity over an extended period.

With the rise of dubious actors, together with digitalization and the use of AI, the necessity of **physical presence** during checks and monitoring has increased significantly. Submitting a well-worded application (and subsequently final report) became truly easy even without real content and merit supporting the documents. This has a further structural impact on the workload of NAs.

European requirements with regard to **privacy and information security** have also resulted in additional tasks and responsibilities for NAs – both with regard to their own functioning as in relation to supporting beneficiaries. This again requires specialist knowledge and expertise.

What is needed

In the run-up to the next Erasmus+ programme period 2028-2034, we need to have a discussion on the

financial and operational capacity of the NAs in relation to the EC management fee and the national co-financing from Member States.

Comparable European programmes provide significantly higher funding for programme management. Under the EEA Financial Mechanism 2021–2028, Programme Operators may receive management costs ranging from 10% for the first EUR 10 million to 4% for larger amounts, with higher rates possible for small programmes (see article 8.10 of the Regulation). Interreg provides technical-assistance rates of 7%, 8% or 10%, depending on the programme type (see article 27 of the Regulation). Importantly, recital 27 of the Interreg Regulation preamble recognises that complex and international implementation structures create higher administrative costs and that smaller programmes need a minimum level of funding to ensure effective management. This confirms that management costs should reflect both programme complexity and unavoidable fixed costs, rather than only the volume of grants administered. As demonstrated, these 2 programmes guarantee significantly higher management fee than the current 3,3% for Erasmus+ and ESC.

NAs are dedicated to deliver quality, to achieve the high ambitions of the Erasmus+ programme (both in terms of general objectives and specific indicators), and to observe the deadlines set for them, but they are already in a position where the level of the management fee is not allowing them to do so.

To ensure quality implementation of the programme, it is necessary to **increase the current percentage for management fee in the regulation to at least 3,5%.**

This document reflects discussion outcomes that were shared unanimously or with a very large consensus among the NAs in the fields of education, training, youth and sport. It does not necessarily reflect the opinion of each National Agency in all aspects.

Questions for discussions:

1. **Is there anything missing in the paper? Would you delete anything?**

2. **What kind of other solutions (besides the increase of MF) can we find and propose to COM for alternative financing of NA costs as a plan B if MF will not be increased sufficiently (for example covering legal costs and costs for external assessors from other funds, etc.)**