The impact of the EU Referendum on the UK's ability to access EU funds

A summary of a Schuman Associates study focused on the education, research and science sectors commissioned by the British Council

Foreword

Dr Jo Beall

Director Education and Society, British Council

On June 23 2016 the United Kingdom expressed via a Referendum its wish to leave the European Union. The outcome of the referendum will have major consequences for the UK's work in education, research and international development. The Prime Minister has appointed a refreshed Cabinet and undertaken a major re-organisation of Whitehall, with two new departments created for Exiting the European Union and International Trade. The Foreign Secretary aims to project an open, engaged and confident United Kingdom under the rubric of Global Britain. Yet many of the longer-term implications remain unclear. At the British Council we are concerned to use our cultural relations approach and the education and research resources of the country to ensure strong connections and influence, both within Europe and beyond.

As we wait to learn the impact of the final arrangements to be agreed once Article 50 of the Treaty on the European Union has been invoked, we are using the time well. We are informing ourselves about the potential impact of the referendum result so that we can work more effectively with our networks in and across the countries of Europe to protect and ensure our deep and long-term educational and cultural ties. And we are working alongside sector partners and government departments to help ensure the viable resourcing of activities that are currently significantly dependent on our membership of the European Union.

As part of this process the British Council commissioned this report, which is the result of extensive research on how the UK's current access to EU funding may be affected by the referendum result and the potential consequences of Brexit on the political influence of UK organisations in the areas of education and research. I am very pleased to be able to share this research with you and hope that you find it as useful as we do.

The Report estimates the *financial* impact for the UK, explores the challenges facing UK sector organisations seeking to *influence* outcomes, and offers data and analysis to help education and other stakeholders in negotiation, both within Britain and in Europe. The report explores a number of *scenarios* and how these might be adapted by the United Kingdom, with specific reference to the impact on the funding instruments and programmes that have the greatest impact on education and research. Lastly the report explores perceptions of the UK in Europe and offers suggestions for how and where those seeking to influence outcomes might best deploy their energies.

The report makes for sobering reading particularly for the education and research sectors, which will be most severely affected, financially and in terms of the knock on effects.

The EU funds or partners with the British Council in much of its international development work, both in education but also significantly in our work in civil society, access to justice, governance and inclusion. Here the picture appears to be a lot brighter. The EU is the largest donor in the world, with the UK traditionally being key to EU policy and the delivery of its aid agenda. The complex web of legal arrangements governing external aid mean that most development funding in Sub-Saharan Africa will remain accessible to UK organisations. Moreover, so long as the UK remains committed to a mutual untying of aid, it could retain its eligibility to access EU external aid programmes.

As the report makes clear, however, there are significant constraints that go beyond technical and regulatory issues. There will be formal and informal barriers to engaging in negotiations in Europe. However, it encourages us to avoid self-censorship and to continue exercising our right to bid for funds, so that when the current seven year plan elapses in 2020, in all likelihood a key milestone in the Brexit process, there will be an on-going resource base to protect. We certainly intend to do this ourselves and alongside partners in respect of our work in education, culture and international development.

The report also points to a number of entry points and arguments to pursue in Britain. Here the British Council is working hard to protect the benefits afforded young people through Erasmus Plus and is equally supportive of efforts by our research partners in relation to Horizon 2020. Some in the sector wonder whether it is time to revisit the idea of an industrial strategy for education and research. The emphasis on trade by the UK negotiators may offer added urgency to these deliberations, especially as it is not yet clear as to who will lead for the UK on education and research in the Brexit process.

The sharing of our language, education, and research lies at the heart of what the British Council does. We will continue to engage actively in policy debates in the UK and abroad and remain committed to supporting UK sector partners in their international work. Along with our partners we will strive to protect and grow the resource base underpinning the UK's reputation for its language, cultural heritage and innovation, its quality education and world leading research and its leadership in international development. Why would we not? It is precisely this reputation and asset base that makes our work in cultural relations so rewarding.

Table of Contents

INTRODUCTION

On June 23 2016, the United Kingdom expressed via a Referendum its wish to leave the European Union, triggering a complex process of withdrawal. Many questions regarding future political and economic consequences remain unanswered. The final arrangement, to be agreed between the UK and the EU in the coming months (or years), may have a significant impact on the influence of British organisations in Europe as well as on the funding these players receive from European programmes.

This report is an overview of in depth research carried out by Schuman Associates, on behalf of the British Council, on **how the current access to EU funding may be affected, as well as on the potential consequences of Brexit on the political influence played by UK organisations in the area of education and research** and international aid.

The study aims at:

- Estimating the **financial impact** on EU funding for the UK education & research sectors.
- Understanding the potential limitation in the **influencing ability of UK associations in the education and research sector.**
- **Gathering relevant facts & data** to empower UK stakeholders for Brexit consequences.

To report is organised into the following sections:

- An overview of the leaving process around Article 50 of the Treaty, and the policy environment.
- Analysis of the main funding programmes regarding education, research, and external aid, and some thoughts on what the impact may be in case the access to these funds becomes restricted.

- A summary of the different legal scenarios that could be adapted by the UK, following the models of Norway, Switzerland, Turkey, Israel and the US.

Since June 23, many assumptions, speculations and positions have been expressed by EU and UK politicians. Schuman Associates' research for the British Council included analysis of the perceptions of key European and British stakeholders in the field of education and research, with universities, civil society organisations, private sector, umbrella organisations and decision makers working in European and British institutions. This identified the general perception of **Brexit as a loss for the EU**. The research revealed anxieties about **potential isolation cooperation in education programmes**; **less exchange of expertise; mobility of students** and obstacles for going abroad. **British organisations taking part in EU projects do not feel they have the same possibilities as other partners from other MS**. The uncertainty of the current situation makes project planning particularly challenging. **Legal certainty** is seen as key to secure future cooperation

Other key findings were that **most of the non-British interviewed bodies are willing to work with UK institutions even after they leave the EU**, but the research did reveal some organisations' reluctance to work with the UK because of the current uncertainties. However, UK partners are still considered **valuable and reliable partners** and the UK is seen as **leader in education and scientific research**. There was a general belief that a cooperation model will be established to allow the participation of the UK in programmes such as Erasmus+, H2020.

Scenarios were identified that would be seen as helpful to continue EU- UK collaboration:

- **Freedom of movement** of people within the EU area;
- A '**soft Brexit'** model with a common internal market and specific agreements for the education sector;
- Maintaining the rules or **simplifying the recognition of academic diplomas between countries**.

MAIN FINDINGS AND RECOMMENDATIONS

The following section captures the main findings of our analysis:

- What lessons can be learned on how other third countries have negotiated their relationship with the EU, notably in terms of access to EU funds.
- What sources of EU funding UK organisations may lose after Brexit, and recommendations on what steps might be taken to maintain access to, and revenue from, some of these funds.

Access to funding

The table below summarises access to funding in the 5 analysed scenarios.

	Norway	Switzerland	Turkey	Israel	US
Erasmus+					
H2020					
EaSi					
COSME					
AMIF					
Rights, Equality and Citizenship programme					
Europe for Citizens					
External Aid					
ESIF					

	Full Access
	Restricted access
	No access

Structural Funds

The UK will lose access to all structural funds after Brexit. This represents around 16.5 BEUR in total, of which **an estimated 3.7 BEUR for education and research and 3.6 BEUR for employment and social inclusion.**

There is no precedent of any other country benefiting from Structural Funds outside of the EU. The exception to this is the participation of EFTA EEA countries in cross border funds (INTERREG), for which there are two main paths:

- A direct payment to the EU budget for the right to participate (Norway model);
- To covers all the cost "on its side of the border" by a back-to-back agreement with the EU (Swiss model).

INTERREG funds for education and research currently represent around Euro 0.7 BEUR for the UK, and the opportunity for the UK to be part of regional European networks.

Erasmus+, H2020 and other EU programmes

Maintaining access to Erasmus+ and H2020 should be a priority – possibly through a mix of the Turkish/Israel models.

Both programmes rely heavily on the principle of free movement of people.

The UK receives around Euro **1 billion in 2014-2020 from Erasmus+. H2020 and other research programmes provide UK universities another 1 billion per year.**

The loss of Erasmus+ and H2020 would have a significant economic and qualitative impact on education in the UK. Some non-EU countries participate in Erasmus+ and H2020 programmes and there are two models for the UK to retain access to the central EU funds:

- A direct payment to the EU budget for the right to participate in equal terms as the EU member states (Norway model);
- The UK contributes to be able to participate in certain components of the programmes as partner country (Switzerland model)

Three questions would need a clear answer:

- Will EU students /academic staff still be able to travel freely to the UK?
- Will mutual recognition of diplomas continue?
- Will the UK allow EU students to pay UK students' tuition fees?

Mobility restrictions would limit the number of students applying for UK universities, and therefore income from university fees. There would be a much higher impact in case of loss of the EU funds in research, which is also much more sensitive to the access to the internal market, as patents, access right etc. are regulated at European level.

External Aid

Most aid funding in Sub Saharan Africa will remain accessible to UK organisations.

Access to the remaining funds, notably in the Balkans and North African countries, could be secured through a mutual untying of aid.

The EU as a whole is the largest donor in the World. The UK has been one of the key contributors to this EU policy area and as such, Brexit will have a direct impact on the EU aid budget. In 2014 alone, the European Commission spent 747 MEUR on the Education sector. A large part of this is implemented by contractors and NGOs that have equal access to grants and tenders launched by EU and Member States' bodies. Traditionally, UK based entities have been among the most successful in accessing these funds.

Future participation of UK entities will be possible under various rules in the complex legal set up that defines eligibility of EU external aid programmes.

The "default" setting would be for UK entities to no longer be eligible as direct contractors with the EU, except in least developed countries and highly indebted countries (LDC and HIPC), and for the two human rights programmes (EIDHR and IcSP). EU funds for Asia, Northern Africa, Eastern Europe and Latin America is what is at stake in the Brexit negotiations.

Under current EU rules all funds disbursed to the least developed countries and highly indebted countries (LDC and HIPC), mainly covered by EDF, will remain accessible to all non-EU countries. EDF represents around 37% of EU aid.

Currently the EU also implements aid through direct agreements with international organisations (UNDP, World Bank, etc.). These funds therefore will remain accessible to UK based contractors.

The UK could theoretically negotiate full access to the external programmes by agreeing a contribution to the EU budget (the Norway model).

In the past the EU experimented in allowing full access to actors from third countries, in return for full access to their aid budgets for EU based actors (**"untying of aid"**). Application was limited, but the UK was one of the first countries to "untie" the aid managed by DfID. If this policy were maintained after Brexit it might open up a significant market for UK entities, without the UK having to contribute extra funds to the EU.

Some external aid is entrusted to pre-selected organisations – such as the British Council (through a PAGoDA agreement). This practice is not limited to EU actors, and could theoretically continue after Brexit. The challenge would be to maintain the same level of engagement.

On the policy side, by leaving the EU, the UK loses its seat at the table of one of the most influential donors in the world.

NEXT STEPS

It will be difficult for UK actors to discuss future access to programmes and funds until Article 50 is officially triggered. We therefore believe that engagement until then focus on reassuring stakeholders of commitment to EU funded projects.

The precedents of other third countries, and the rules governing the EU programmes, give the EU a starting point for discussions with the UK. The same does not appear to be the case for the UK, where the position on what is to be achieved, and what price the UK is willing to pay, is not yet clear.

We would therefore recommend that efforts be made to ensure that the UK negotiation team is aware of the stakes for UK actors in the education and CSO sectors.

A key role will be reassuring British actors not to "give up on the EU" until Brexit happens, and to reinforce the message that they still have access to all funding. In parallel, work needs to be done with partners to reassure them of the committed position of UK organisations.

An informal coalition of UK education providers could be best suited to carry some of the messages outlined above.

We also recommend making an accurate analysis of potential economic impact based on the findings of this research, especially for the potential loss in Eastern Europe, North Africa and Asian countries, and on the opportunity to reinforce UK presence in EDF countries.

BRITISH COUNCIL

THE ROLE OF EU INSTITUTIONS IN POLICY MAKING

The EU's standard decision-making procedure is 'co-decision' or ordinary legislative procedure, and means the **European Parliament has to approve EU legislation together with the Council,** representing the 28 Member states**, based on a proposal from the Commission.** However, in the areas of education and research, the EU has limited legislative power. In these fields, the Council is responsible for **coordinating** Member States' policies:

- Research & innovation policy: the Council adopts legislation determining the framework governing EU support to research and innovation activities, and provides **recommendations, strategic focus and funding**.
- Education, youth and sport: the Council adopts EU policy frameworks and work plans, setting out the **priorities for cooperation between Member States and the Commission.**
- Employment policy: the Council draws up **annual guidelines and recommendations** for Member States, based on European Council conclusions on the EU employment situation.

The EU’s global objective *is to strengthen the scientific and technological bases by achieving a European Research Area (ERA)* in which researchers, scientific knowledge and technology circulate freely. EFTA countries, Israel, Turkey and six Balkan countries are all associated members of the ERA. **Each EU Member State is responsible for the development of their national research and innovation policies.**

The EU is also committed to easing obstacles to the mobility of students, research and professionals, and supporting the contribution of these sectors to boosting growth and jobs across the EU.

The strategic documents setting the long term objectives for the areas of education and research were approved with input from the UK. Other strategic documents under this framework, such as the European Skills Agenda or the Agenda for the Modernisation of Europe's Higher Education Systems are currently under preparation.

The UK, as a current EU member, is providing inputs to these strategies, which will orientate the further development of pan-European initiatives. How these recommendations will be implemented at national level will depend on the **final decision of the Member States.** Hence, the loss of direct UK representation in the EU decision-making structures **will mainly affect its influence in future legislative and policy initiatives aiming at transnational cooperation.**

Regarding External aid, the Council provides the mandate to the **Commission to negotiate the agreements between the EU and non-EU countries** and international organisations. Furthermore, the Council mandates the European External Action Service to **develop the EU's Common foreign and Security Policy.** By leaving the EU, the UK will lose its direct influence in these multi-lateral negotiations.

[Influencing polices through funding]

The influence the UK has in Brussels is linked to its representatives in the various institutions and the UK's status as a net contributor to the EU budget.

The EU budget (Multi-annual Financial Framework – MFF) sets the limits for the annual general budgets of the European Union for a period of 7 years. Each Member State transfers a percentage of its GNI (Gross National Income) to the EU.

The current financial framework runs from 2014 until 2020. Many EU policies and budgets will need to be revised in 2020, making it a natural moment for the UK to leave the EU.

The current financial instruments are under a revision process, due for completion in 2017. This will provide inputs for potential adjustments until 2020 and identify priorities for the programming period 2021/2027. **UK, as a Member State, could play a role in these evaluation processes. UK stakeholders will also maintain their representation in the Commission working groups until 2020, which represent another indirect way to shape policy.**

EU FUNDING

The **UK is one of the 4 main net contributors to the EU budget**. The figure varies from year to year, but in 2014, when what the UK paid was relatively high, it contributed £14.7 billion. Losing such a large contributor would mean that the EU would find it difficult to secure the same level of funding in the 2021-27 budget.

This report examines three main types of EU funding and their relationships with education, research and aid: Structural and Investment Funds, funds managed directly by the EU (including Horizon2020, Erasmus+ and Cosme) and external aid programmes.

THE STRUCTURAL & INVESTMENT FUNDS: ESIF

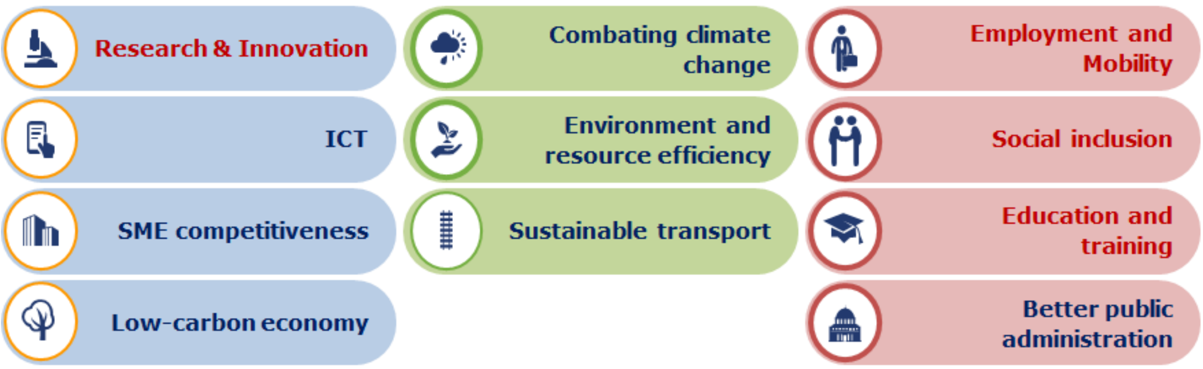
The European Structural & Investments Funds (ESIF) are the main EU funding instruments designed to reduce regional disparities in income and to foster job creation, business competitiveness, economic growth, and sustainable development. All regions in the EU are entitled to receive funding. The current **ESIF budget is programmed for 2014-2020 and can be spent until the end of 2023**. **The total ESIF allocation for all 28 EU Member States is 454 BEUR**. If national contributions are added, the ESIF investments reach a value of **637 BEUR.**

The ESIF allocations are disbursed through 5 funds:

- European Regional Development Fund (ERDF)
- European Social Fund (ESF)
- Cohesion Fund (CF)
- European Agricultural & Rural Development Fund (EARDF)
- European Maritime & Fisheries Fund (EMFF).

ESIF funds for education and research

11 thematic objectives



ESIF are structured around 11 thematic objectives corresponding to different areas of investment (see figure above).Throughout 2014-2020 research and education will be allocated substantial financial resources across all EU Member States:

- **43.69 BEUR** for research and innovation investments; 94% of these funds coming from ERDF and 6% coming from EAFRD.
- **34.56 BEUR** for education and training actions, of which 78.5% come from ESF, 18.1% from ERDF, and 3.4% from EAFRD.

2014-2020 ESIF for UK

The UK currently has a total of 16.41 BEUR of ESI funds allocated throughout 2014-2020, **ranking it 11th among the 28 EU Member States.** From the global figure:

- **1.59 BEUR are dedicated to research and innovation investments**
- **2.15 BEUR** are dedicated to **education and training** investments
- **2.29 BEUR** dedicated to **sustainable and quality employment** measures
- **1.31 BEUR** dedicated to **social inclusion** actions

The 16.4 BEUR are disbursed at national and regional level through dedicated Operational Programmes **implemented by the British entities, usually on UK territory** (limited transitional cooperation actions can be supported, depending on the programme).

In addition, the **UK participates in the cross-border, transnational and interregional cooperation programmes, where it is eligible alongside other Member States**.

European Structural and Investment Funds (ESIF) for the 2014/2020 period are available for the UK as it is a full member of the European Union. According to the information currently available, the **Treasury is expected to continue EU funding beyond the UK's departure from the**

EU for all structural and investment fund projects, as long as they are agreed before the autumn 2016 statement. If a project obtains EU funding after that, an assessment process by the Treasury will determine whether funding should be guaranteed by the UK government post-Brexit. The Treasury says it will underwrite the funding awards, even when projects continue post-Brexit and prepare a transition to new domestic arrangements. It is not clear whether this commitment will be extended to ESF funded projects.

European Territorial Cooperation (ETC): Cross-border & transnational cooperation programmes with UK participation

In addition to the funds distributed at national/regional level, the UK can also participate in cross-border and transnational cooperation programmes that require partnerships between at least two countries. **Following Brexit, the United Kingdom may be eligible to participate in partnerships under the European Territorial Cooperation mechanism. However, the eligibility criteria and conditions will have to be renegotiated**.

The UK is currently participating in a total of 15 such programmes. Out of these, 11 support projects for research and innovation, and represent 739.8 MEUR of investment. All programmes are overseen in UK by the Department for Communities and Local Government (DCLG).

ETC programmes contribute to a lesser extent to quality employment and social inclusion objectives. Out of the 15 programmes UK is currently participating in, only two have dedicated allocations to support such actions:

- INTERREG VA UK- Ireland (Ireland- Northern Ireland- Scotland), with 53 MEUR dedicated to social inclusion measures
- PEACE (Ireland- UK), with 215.4 MEUR dedicated to social inclusion actions

There are several models of the European Territorial Cooperation with UK participation:

- European Cross-Border cooperation, model known as INTERREG A

Supports cooperation between **EU regions separated by an EU border from at least two different Member States** lying directly on the borders or adjacent to them (as well as for potential EU candidate bordering countries). It aims to tackle common challenges identified jointly in the border regions and to exploit the untapped growth potential in border areas.

- Transnational cooperation, model known as INTERREG B

This model involves **regions from several countries of the EU forming bigger areas**. It aims to promote better cooperation and regional development within the Union by a joint approach to tackle common issues. INTERREG B supports a wide range of project investment related to:

- Innovation (especially networks of universities, research institutions, SMEs);
- Technology transfers to improve access to scientific knowledge;
- Research and development in SMEs;

- Environment, accessibility, telecommunications, urban development etc.

- Interregional cooperation, model known as INTERREG C

INTERREG C works at pan-European level, covering all EU Member States, and more. Regional and local actors, **including those from Norway and Switzerland**, participate in networks, for example, to improve energy efficiency of buildings or enhance innovation in SMEs.

What happens after 2020, if the UK is no longer a member of the Union?

After 2020, UK entities will no longer have access to ESIF funding for projects implemented in the UK. While transnational cooperation actions can, under specific circumstances, be supported through ESIF projects, **the transnational cooperation activity must be located in an EU Member State and not in a third country**.

Nevertheless, **after leaving the European Union, the United Kingdom will still be eligible to receive funding from the Interregional Cooperation Programme (Interreg C)**. The model of cooperation is negotiated and established country by country. This is expected to be part of the UK negotiation process.

Every EU and EFTA EEA business has free and equal access to public procurement in all other countries of the European Union. The EU procurement legislation (revised version since 2014 and binding since April 2016) lays down the rules and procedures that organise the way public authorities and certain public utility operators inside the EU, purchase goods, works and services.

The access of third countries (non-EU members) to EU procurement is regulated by the Government Procurement Agreement (GPA) and in bilateral/regional agreements between various countries. The EU currently has Free Trade Agreements, including procurement provisions, with countries such as Mexico, South Korea, Switzerland, Colombia, Peru and Chile and is in the process of negotiating agreements with Canada, Singapore, India, US, China etc.

However, from the EU's perspective the GPA agreement is restrictive for EU companies, and therefore it has approved the International Procurement Instrument (IPI) to **encourage third countries to engage in negotiations.**

The proposal on an International Procurement Instrument (IPI) and the 2016 amendment are the EU's response to the lack of level playing field in world procurement markets. On the other hand, the EU legislation foresees that EU Member States and their contracting authorities should not be able to restrict the access of third country goods or services to their tendering procedures by any other measure than those provided for in the 2016 Regulation, if they have a bilateral agreement signed.

Can the UK just go ahead and trade under WTO terms after it leaves the EU?

In practice, the UK would have to detach itself from the EU and regularise its position within the WTO before it could sign its own trade agreements, including with the EU. According to Roberto Azevêdo, the WTO's director-general, there is no precedent for a WTO member extricating itself from an economic union while inside the organisation. The process would not be easy and would likely take years before the UK's WTO position was settled, not least because all other member states would have to agree[1].

Conclusions

- The Treasury is expected to continue EU funding after Brexit for all structural and investment fund projects, as long as they are agreed before the autumn 2016 statement.
- Once UK exits the EU, it will stop contributing to the EU budget and the country will no longer receive ESIF funds.
- The UK may be eligible to participate in partnerships under the European Territorial Cooperation mechanism as EEA and EFTA countries do. However, the eligibility criteria and conditions will have to be renegotiated and most probably the UK will need to pay.
- ESIF Calls: as a general rule, to participate in a call for proposal, the bidding entities should be a national legal entity.
- ESIF Tenders: it is expected that the access of UK organisations to EU procurement would be framed by the specific trade agreements that the UK will sign with the EU. The UK will need to be compliant with EU rules to access the internal market.

FUNDS MANAGED DIRECTLY BY THE EU

The following section provides an overview of the main EU funds addressing education and research.

- RESEARCH: Horizon 2020
- EDUCATION: Erasmus +
- OTHERS: Cosme, AMIF, EaSI, Citizens for Europe

Research

The **European Research Area (ERA)** is a system of scientific research programmes integrating the scientific resources of the European Union (EU). It represents a single market for knowledge, research and innovation in which scientific knowledge, technology and

[1] https://www.ft.com/content/5741129a-4510-11e6-b22f-79eb4891c97d

researchers circulate freely. The main funding instrument for the ERA is Horizon 2020, with nearly 80 BEUR of funding available over seven years (2014 to 2020).

UK universities receive on average per year around **1 BEUR from European Union funds, mainly through Horizon 2020** but also other programmes such as Copernicus (European Programme for the establishment of a European capacity for Earth Observation) and Galileo (the global navigation satellite system that is currently being created by the EU through the European Space Agency).

- Between 2014 and 2020, the EU will provide almost **80 BEUR** for research, mainly through Horizon 2020.
- **The UK has won 15.5% of Horizon 2020 funding while contributing for 12%.** In particular, UK organisations get a large share of grants from the European Research Council (ERC).
- **Research funding from the EU amounts to around 1 BEUR/year**. Europe's share of UK universities' total income has risen by over 30% in five years.
- **The UK is the second largest beneficiary of Horizon 2020**, benefiting universities (57.2%), enterprises (26.7%), research institutes (8.7%), and public administration (3.8%).
- The two main strands for education are the '7 Societal Challenges' and the 'Science with and for Society' Work Programmes, which **allocate a total of 32 BEUR for 2014-2020**.
- **The European university getting the largest amount of money from Horizon 2020 is Cambridge University** (almost 99 MEUR so far). Other beneficiaries are University College London (93.8 MEUR) and the Imperial College London (89.6 MEUR).
- For the **Galileo project:** 7 BEUR are allocated for 2014-2020. In the field of Earth Observation, the programme **Copernicus** allocates 4.3 BEUR to be spent in the period 2014 to 2020, shared between the EU (66%) and the European Space Agency (33%).
- The UK contributed nearly 5.4 BEUR to EU research projects from 2007 to 2013, but received nearly 8.8 BEUR in the same period.

What happens until 2020?

Followed the decision of British citizens to leave the EU, various **fears emerged within the UK research community**, about being judged less favourably by potential EU partners or even being asked to step down from leadership positions on existing projects.

On June 29, **the Heads of State and Government of 27 EU Member States, as well as the Presidents of the European Council and the President of the European Commission, declared that EU Law continues to apply to and within the UK until the UK actually leaves the EU**. This includes also the eligibility of UK legal entities to participate and receive funding for Horizon 2020 actions.

On August 13, **the UK Government committed to underwrite all research funding commitments**[2], even for projects continuing potentially seven to 10 years into the future. It includes **Horizon 2020**, **if the grant is obtained while Britain is still a member of the EU.** In practice this means that the majority of current projects will be completed within this time frame.

However, there is a risk for UK organisations' participation in Horizon 2020 consortia. The H2020 Grant Agreement is a legally binding contract between the European Commission and the project parties, and gives the EC the power to terminate the Agreement once Article 50 is triggered, if they wish.

What happens after 2020, if the UK is no longer a member of the Union?

EU leaders held a firm line that Britain will have to accept full free movement of all EU citizens if it wants to retain access to the single market, thus ruling out any special deal to enable freedom of movement limited to academics, but not to the rest of the population.

Maintaining access to EU research programmes means buying in as an Associated Country, as other non-EU nations such as Norway do. **Switzerland previously had full access to H2020 until 2014, when a referendum voted to limit freedom of movement.** As a result **Switzerland's status has been downgraded to that of partial association. A relevant exception to this rule is Israel, which participates in H2020 without granting free movement.**

Participation of non EU countries in H2020

Distinctions between Associated Countries and Third Countries, and automatic or not automatic eligibility for funding:

- **Associated Countries participate under the same conditions as EU Member States.** They can apply to all programmes and instruments and must follow the Horizon 2020 Rules of Participation. As of April 2016, the list of Associated Countries include 15 States (Norway, Turkey, Israel and **partly also Switzerland**[3] are on this list).
- **Third Countries** can also participate to Horizon 2020. **Pre-Accession and Neighbouring** countries as well as **developing** countries are **automatically eligible** for funding while such eligibility could be granted to **industrialised countries and emerging economies only by a specific provision in the text of the call for proposals or by a bilateral agreement.**

Individual researchers from any country in the world seeking the opportunity to work in Europe for a certain period of their career can apply for funding through the European Research Council and the Marie Skłodowska-Curie actions.

[2] http://www.ft.com/cms/s/0/dc053af6-614e-11e6-8310-ecf0bddad227.html

[3] As 2014 Switzerland is regarded as a Third Country under "Industrial Leadership" and "Societal Challenges", but retains its status of Associated Country for all projects under "Excellent Science" and "Spreading Excellence and Widening Participation".

The table below shows the portion of Horizon 2020 funding captured by non EU Countries in 2014:

EU Funding to non-EU-28 countries for signed projects in 2014 calls[4]- MEUR

NORWAY	SWITZERLAND	TURKEY	ISRAEL	USA	UK
145	85	27	142	5	1270

Education

Erasmus+ is the EU main funding programme in the field of education, training, youth and sport for the period 2014-2020. It gives opportunities to students, trainees, staff and volunteers to spend time abroad and supports organisations to work in transnational partnership. The programme also supports other policy initiatives towards cross border recognition of skills and qualifications. The Sport action supports grassroots projects and cross-border challenges.

Currently, 33 countries are members of the programme (EU-28, Iceland, Liechtenstein, Norway, Turkey, FYR Macedonia) and other countries are allowed to participate as Partner Countries. While some members of Erasmus+ are not members of the European Union, freedom of movement for workers is a fundamental principle: after a national referendum limited this freedom in Switzerland, the EU revoked access to Erasmus+ funding to Swiss organisations.

The **Erasmus+ Programme has an overall budget of 14.7 BEUR for 2014-2020**. Another **1.68 BEUR is spent in cooperation activities** with neighbouring and developing countries. During 2014, only for decentralised activities in the UK, **more than 119 MEUR was distributed to UK institutions**.

Budget managed by National Agencies in 2014[5] (MEUR)

UK	NORWAY	SWITZERLAND	TURKEY	ISRAEL	USA
119.5	18	Negotiations suspended due to immigration referendum.	90 MEUR[6]	No national agency	No national agency

Regarding centralised calls, almost 100 MEUR more were awarded by consortiums with at least one UK representative, distributed among more than 300 contracts and projects.

In 2013-2014 the number of EU students in the UK stood at around 125,000 (roughly 5%), which is estimated to have contributed £2.7 billion to the British economy, as well as 19,000 extra jobs. £224 million was paid in fee loans to EU students on full-time courses in England – 3.7% of the total student loan bill.

Under the Erasmus scheme, over 200,000 UK students have studied at European universities.

[4] Source: H2020 monitoring report 2014 by the EC
[5] Source: ERASMUS PLUS annual report 2014
[6] Mostly funded by the EU through the Instrument for Pre Accession programme

What happens until 2020?

As in the case of Horizon 2020, **EU authorities confirmed that there will be no immediate changes to the UK involvement in EU initiatives**: UK organisations will remain fully eligible to apply for the more than 11.5 BEUR still to be spent via Erasmus+. **Both incoming and outgoing students on the scheme will continue with their exchanges as planned.**

The UK will also be able to contribute to the development of EU initiatives and the UK Government will need to take a strategic decision regarding further implementation of EC strategies, such as the "Education and training 2020".

UK experts are still contributing to the different Working Groups addressing key challenges of education and training systems.

UK organisations will also be able to express their views in thematic EU consultations, such as the Evaluation of the Youth Policy Cooperation in the EU (currently open until October 2016)[7] or the Consultation on the Interim evaluation of the European Institute of Innovation and Technology[8], open until November 2016.

The UK Government may also contribute to the implementation of the different initiatives proposed by the EU Skills Agenda for Europe, such as the creation of a national strategy for digital skills or the new roadmap for a new Higher Education strategy[9].

The Erasmus+ programme will be subject to a mid-term review, to be finalised by 2017.

What happens after 2020, if the UK is no longer a member of the Union

The UK Minister of State for Universities and Science, Jo Johnson, clarified that: "current students and this autumn's applicants will continue to receive student finance for duration of their course".

Access to Erasmus+ and free mobility for staff and students are not the only concern among the academic community. If Britain leaves the EU and does not join the EEA, the government will not have to provide student loans or maintenance funding for EU students, which could significantly impact the number of EU students studying in the UK, and therefore universities' income.

It could be possible for the UK to continue participating in the Erasmus+ programme, if they either contribute to the EU budget (Norway model), or they cover the budget "back to back", as is currently done for other programmes with Third Countries.

UK universities may face a significant loss in EU undergraduates numbers in the future due to higher fees, additional bureaucracy, restrictions on working whilst studying, lack of diversity and exclusion from the EU spirit, and skills recognition. Students from non EU countries may also prefer to apply to EU universities in order to access the whole EU.

---

[7] http://ec.europa.eu/dgs/education_culture/more_info/consultations/youth-policy-cooperation-evaluation_en.htm
[8] http://ec.europa.eu/dgs/education_culture/more_info/consultations/european-institute-innovation-technology_en.htm
[9] http://eur-lex.europa.eu/resource.html?uri=cellar:cd0fa1ca-2ee9-11e6-b497-01aa75ed71a1.0001.02/DOC_2&format=PDF

Therefore, some solution to maintain free access of EU students to the UK market might be beneficial to maintain the current leading role of the UK as education provider. This should address not just movement of people, but also recognition of diplomas and qualifications.

Other EU Funding Programmes

If no agreement is reached regarding UK participation on EU programmes, UK organisations would automatically lose the possibility to participate in many other "minor" EU funding programmes that are an important source of financing for initiatives in the field of entrepreneurship, justice, civil society, governance and gender policy.

- **Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME)** targets SMEs. It is designed to promote entrepreneurship and entrepreneurial culture and has a budget of **2.3 BEUR** for 2014-2020.
- **The Asylum, Migration and Integration Fund (AMIF)** supports actions addressing all aspects of migration, including asylum, legal migration, integration and the return of irregularly staying non-EU nationals. It has a budget of **3.1 BEUR for 2014-2020.** IEU resources allocated to the British AMIF multi-annual programme 2014-2020 amount to **392.6 MEUR.**
- Other funding programmes that will become off-limits for UK entities will be the **EU Programme for Employment and Social Innovation (EaSI)** (almost irrelevant for education projects)**, the Rights, Equality and Citizenship programme** (with a small component for gender) **and Europe for Citizens.**
- **Operating grants:** four British think tanks/civil society organisations (the Centre for Economic Policy Research, Euclid Network, Volunteering Matters, European Alternatives Ltd.) received around **1.5 MEUR between 2014-2016**, out of the 20.1 MEUR disbursed so far for such type of operational support (i.e. around 7.3%);
- **Civil Society Projects:** additional 370,250 EUR was awarded to four projects presented by UK organisations in the three calls for proposals launched over the past three years.

EU FUNDING FOR EXTERNAL AID

Over half of all development aid comes from the EU and its members, making them collectively the world's largest aid donor. Membership of the EU gives the UK influence on the total budget and priorities for the European development policy, and the opportunity to approach global issues in a coordinated global action.

Several EU instruments cover external aid. The total amount agreed for the external relations package is 51.4 BEUR over the period 2014-2020.

- Instrument for Pre-accession Assistance (IPA)[10]: 11,6 BEUR
- European Neighbourhood Instrument (ENI)[11]: 15,4 BEUR

[10] EU candidate countries (Turkey, Albania, Montenegro, Serbia and the Former Yugoslav Republic of Macedonia) are eligible for all five components of IPA; Bosnia and Kosovo are only eligible for the areas of governance and rule of law.

- Development Cooperation Instrument (DCI)[12]: 19,6 BEUR
- Partnership Instrument (PI): 0,9 BEUR
- Instrument contributing to Stability and Peace (IcSP): 2,3 BEUR
- European Instrument for Democracy & Human Rights (EIDHR): 1,3 BEUR

A further 30,5 BEUR for the period 2014-2020 will be made available for cooperation with African, Caribbean and Pacific (ACP) countries as well as Overseas Countries and Territories (OCT) through the **11th European Development Fund (EDF).**

The EDF is financed by direct contributions from EU Member States. Although the 11th EDF remains outside of the EU budget, the negotiations take place in parallel with the negotiations of the External Instruments financed under the budget. The UK is the third largest contributor to the EDF, with more than 5 BEUR for the 2014 -2020 period, or 14.6% of total allocations. **Non EU countries may play a role depending on the access rules and requirements of each programme.**

Funding programmes most affected by Brexit: IPA, ENI and DCI

Should the UK stop being a member of the EU, it could still be eligible for certain funding lines, if it belongs to any of these categories:

- Contracting parties to the Agreement on the **European Economic Area**
- **Countries for which reciprocal access to external assistance is established by the Commission.** Reciprocal access may be granted, for a limited period of at least one year, whenever a country grants eligibility on equal terms to entities from the Union and from Overseas Countries and Territories (OCTs). **Currently no country has been granted reciprocal access.**
- **Member countries of the OECD**, **in the case of contracts implemented in a Least Developed Country or a Highly Indebted Poor Country**[13] .

Should the UK not get an agreement similar to EFTA EEA, and unless it gets an agreement to grant reciprocal access, the whole IPA II and ENI programmes will become unavailable:

IPA:

- More than 370 MEUR for 2014/2020 (for education and civil society themes).
- More than 1 BEUR for projects linked to education, social policies and fundamental rights in pre- accession countries, for 2014/2017.

---

[11] The 16 ENI Partner Countries are:
- ENI South - Algeria, Egypt, Israel, Jordan, Lebanon, Libya Morocco, Palestine, Syria, Tunisia
- ENI East - Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine

[12] DCI overs cooperation with partner countries and regions, namely: Latin America, Asia, Central Asia, the Middle-East and South Africa.

[13] Least Developed Countries: http://www.oecd.org/dac/stats/daclist.htm

ENI 2014/2020:

- More than 800 MEUR in specific thematic programmes for east neighbouring countries.

ENI EAST 2014/2017:

- More than 140 MEUR for projects addressing education, employment and civil society in east neighbouring countries.
- More than 100 MEUR for the development of SMEs, mainly in Armenia

ENI SOUTH 2014/2017:

- Almost 1 BEUR for projects regarding education, or employment or civil society, mainly in Morocco and Tunisia.
- More than 230 MEUR are devoted to SMEs promotion

In the same way, the access to the DCI and PI programmes will be restricted to LDC or HIPC countries. Asian (except Afghanistan, Bangladesh, Bhutan, Cambodia, Myanmar, Nepal, Timor-Leste) **and South American countries** (except Bolivia, Guyana, Haiti, Nicaragua & Honduras) **are excluded from this classification.**

- DCI & PI budget 2014/2020 for the relevant areas of the study disbursed through thematic and geographical programme is more than 3.6 BEUR. Around 50 % of this budget may be implemented to non HIPC countries **(1.8 BEUR) and therefore it won't be accessible to the UK.**

		Education	TVET / Skills	Science & Research	Civil Society	Gender	Justice / Rule of Law	Governance	Social Entrepreneurship	Culture	Total budget 2014/2020
	External Aid										
Thematic programmes	Partnership Instrument - Public diplomacy				x		x	x		x	€ 173,000,000
DCI – thematic programmes	Civil Society Organisations and Local Authorities in Development (CSO)				x		x	x			€ 1,907,000,000
	Global public goods and challenges programme (gender and education)	x				x					€ 866,000,000
DCI – Geographical programmes	DCI ERASMUS (Latin America)	x	x							x	€ 163,000,000
	DCI ERASMUS (Asia)	x	x							x	€ 370,500,000
	PanAfrican (Governance / Human development)								x		€ 159,750,000

Non-affected DCI funding pots: EIDHR and IcPS

The **European Instrument for Democracy and Human rights (EIDHR)** contributes to human rights and democracy programmes in non-EU countries. The Instrument contributing to Stability and Peace (IcSP) is the EU's main instrument supporting security initiatives and peace-building activities in partner countries. Both instruments are **open to all non-profit organisations, public or private, and international organisations, and therefore access to UK organisations won't be affected by leaving the EU**.

		Education	TVET / Skills	Science & Research	Civil Society	Gender	Justice / Rule of Law	Governance	Social Entrepreneurship	Culture	Total budget 2014/2020
	External Aid										
Thematic programmes	European Instrument for Democracy and Human rights (CSO)				x		x				€ 1,332,752,000
	Instrument contributing to Stability and Peace (IcSP)				x		x	x			€ 63,000,000

The case of EDF

EDF foresees more than 1.7 BEUR for education and civil society intervention in countries. It also allocates 385 MEUR for the Intra ACP regional programme. **The majority will likely remain accessible to the UK** after Brexit, since the majority of the EDF funds go to HIPCs and LDCs. We estimate that around 15% (300 MEUR) will be lost to the UK for the areas of relevance, as it targets countries which are neither HIPC nor LDC, and therefore, non-accessible for OECD countries.

Other sources of funding: EU Trust Funds and Delegated Agreements

A trust fund is composed of pooled funds from the EU Budget or the EDF on the one hand, and from a **contribution of one or more other donors which may be Member States, third donor countries or private donors**.

In order to respond to the current migration crisis, in 2015 it was agreed that almost 3 BEUR will be channelled through the EU Regional Trust Fund in Response to the Syrian Crisis (MADAD) and the EU Emergency Trust Fund Africa (SSA). Trust Funds follow their own rules for implementation. Delegated cooperation with international organisations and European agencies is the most common mechanism for disbursement.

The UK could negotiate access to such Trust Funds if it contributes as an independent donor. The main current Funds, which include components for education, are as follows:

		Education	TVET / Skills	Science & Research	Civil Society	Gender	Justice / Rule of Law	Governance	Social Entrepreneurship	Culture	Total budget 2014/2020
	External Aid										
Trust funds	EU Regional Trust Fund in Response to the Syrian Crisis MADAD	x			x	x	x	x			€ 1,000,000,000
	EU Emergency Trust Fund Africa SSA	x			x	x	x	x			€ 1,800,000,000

Indirect management mode: delegated agreements

The European Commission has signed a series of Delegated Agreements with more than 100 organisations, among them, the British Council. The intermediaries (called entrusted entities) can be[14]:

- The partner country or an entity designated by it;
- An agency of a Member State or an EFTA country (Iceland, Liechtenstein, Norway, Switzerland) or, **exceptionally, of a third donor country;**
- An international organisation;
- The European Investment Bank and the European Investment Fund; or an EU specialised (traditional/regulatory, hence not executive) agency.

The intention is that a substantial proportion of the EU's assistance under the Multi-annual Financial Framework 2014-2020 will be programmed through joint programming between the EU and the Member States.

From the current list of agreements, it may be concluded that:

- Delegated Agreements are signed mainly with EU national agencies, although other non EU organisations such as Development Bank of Southern Africa, South Africa; Department of Foreign Affairs and Trade (former AusAid), Australia and United States Agency for International Development have been positively assessed.

An option to limit the impact could be to negotiate a reciprocal access to external assistance with the Commission.

[14] http://ec.europa.eu/europeaid/companion/document.do?nodeNumber=3.1.1.1

There is also the possibility for UK organisations to play a more active role with other international stakeholders.

Conclusions

Only EEA countries have equal access to EU funds as the EU Member States. Developing countries or those being beneficiaries of the Pre-accession or Neighbouring programmes have some privileges in comparison with Third Countries. Since the UK is an industrialised country aiming to leave the EU and a member of the OECD, out of the current models, it would be able to have the same access to EU funds for External Aid as US has:

- No access for IPA nor ENI;
- Estimated loss of 1.8 BEUR from DCI for relevant areas (Mainly in Asia & Latin America);
- Eligible for most of the countries under EDF (mostly African countries);
- Full access to thematic programmes IcSP (63 MEUR) and EIDHR. (1.3 BEUR);
- Access as independent donor to the EU Trust Funds;
- Delegated Agreement with the EC.

BRITISH COUNCIL

ANNEX I - EXISTING COOPERATION MODELS WITH THE EU

Whilst the UK government may hope to reach a tailor-made agreement on its engagement with the EU, the analysis of the current models reveals some potential formulas, and their impact on access to funding.

TURKISH MODEL

Turkey is a pre-accession country & Customs Union member. Bilateral treaties with the EU give access the single market for goods, but not services. It can access many EU programmes and funds, but without free movement of people. The participation for candidate countries in EU programmes, agencies and committees is decided on a case by case basis. As regards to the EU agencies, Turkey fully participates only in the European Environment Agency (EEA) and is also observer at the European Monitoring Centre for Drugs and Drug Addiction.

As a general rule, funding for Turkey's participation in EU programmes and agencies comes from the IPA II instrument. From the policy sector "Democracy and Rule of Law" Turkey receives 956.5 MEUR, for the 2014-2020 period. From this, 956.5 MEUR goes to Turkey's participation in Union Programmes and Agencies which includes the Erasmus+ programme. Further funding can be also found within the Multi-annual Action Programme for Turkey on Employment, Education and Social policies under "Action 2 Education and training" in which 50.5 MEUR have been allocated for the period 2014-2016. Projects receiving IPA II funds should be always partly co-financed with national funds from Turkey.

FUNDING ANALYSIS		
Turkey		
	Benefit for the country	Country contribution
Erasmus+	**2014:** 90 MEUR to be implemented through the National Agency	The EU provides funding through the IPA programme
H2020	**2014:** 27 MEUR	N/A. They participate as Associated Countries participate under the same conditions as EU Member States
EaSi	EaSI: Turkey participates in two of the three pillars, Progress and Microfinance and Social Entrepreneurship. No funding awarded in 2014/2015	
COSME	**2015:** 5.8 MEUR (Awarded to projects with Turkish participation)	
AMIF	Does not participate	
Rights, Equality and Citizenship programme	Does not participate	
Europe for Citizens	Does not participate	
External Aid	Beneficiary of IPA programme Eligible for all funding instruments and EDF, due to its belonging to the IPA programme.	NA
ESIF	They do not benefit of ESIF On tenders, through Customs union, access to the internal market for supplies	

NORWAY MODEL

Norway's economic and trade relations with the EU are mainly governed by the agreement on the European Economic Area (EEA), which guarantees free movement of goods, persons, services and capital, and non-discrimination and equal competition rules throughout the EEA. Norway has full access to the EU single market and full participation in most EU programmes.

- The country must adopt EU standards and regulations with little influence over these (no vote rights on EU regulation or in EU Institutions such as EU Agencies).
- The country is unable to impose immigration restrictions.
- The country makes a substantial contribution to the EU budget. The contribution to the most two relevant central projects is 2.7 BEUR. Norway has received 18 MEUR to be managed by the national agency (3.5% of GNI), versus the 120 received by the UK (4.4% of GNI).
- For the period 2014 – 2020, Norway's average annual commitment for EU centralised programmes is 447 MEUR.

<table>
<tr><th colspan="3">FUNDING ANALYSIS</th></tr>
<tr><td colspan="3">Norway</td></tr>
<tr><th></th><th>Benefit for the country</th><th>Country contribution 2014/2020</th></tr>
<tr><td>Erasmus+</td><td>2014: 18 MEUR to be managed by the National Agency + 13 MEUR in centralised actions.
2015: 9.7 MEUR in centralised actions.</td><td rowspan="2">2.700 MEUR for the major EU programmes for research and education
• Average per year: 385 MEUR</td></tr>
<tr><td>H2020</td><td>2014: 145 MEUR</td></tr>
<tr><td>EaSi</td><td>2014: 0
2015: 0.3 MEUR</td><td>6 MEUR common contribution by Norway and Iceland
• Average per year: 0.9 MEUR
• Liechtenstein does not participate</td></tr>
<tr><td>COSME</td><td colspan="2">Does not participate</td></tr>
<tr><td>AMIF</td><td colspan="2">Does not participate</td></tr>
<tr><td>Rights, Equality and Citizenship programme</td><td colspan="2">Does not participate</td></tr>
<tr><td>Europe for Citizens</td><td colspan="2">Does not participate</td></tr>
<tr><td>External Aid</td><td>Eligible for all funding instruments and EDF</td><td>NA</td></tr>
<tr><td>ESIF</td><td>They do not benefit of ESIF
Norway can participate in grants only in
- INTERREG C
Norwegian companies can participate in tendering (EEA EFTA)</td><td>• EEA Norway Grants: 2.8 BEUR
• 25 MEUR for Interreg</td></tr>
</table>

SWISS MODEL

An EFTA member but not EEA; part of Schengen, but not the Internal Market. Swiss entities may take part in most EU programmes, but without funding from the Commission directly.

- Economic and trade relations are mainly governed through bilateral agreements. Switzerland takes on certain aspects of EU legislation in exchange for access to the single market. Most are contracts in their own right, but some, including the Free Movement of Persons and Research are a package and termination of one cancels all.
- Switzerland is an independent state to the EU and has no veto in the European Council, no votes in the Council of Ministers, no European Commissioner and no European Commission staff, neither representation nor votes in the European Parliament
- Switzerland participates in the INTERREG Programme.
- Switzerland is only allowed to participate in some activities Horizon 2020. Available data show that, since the launch of Horizon 2020, Swiss participation in the Framework Programmes has declined for the first time.
- After the 2014 referendum on the "Stop Mass Immigration" the inclusion of quotas to third country nationals in Switzerland has put at risk the bilateral deal with the EU on free movement of people. The result can have an impact by potentially cancelling six other bilateral agreements. This situation is having direct impact on the participation of Switzerland in different EU programmes and access to different EU funds.

FUNDING ANALYSIS		
Switzerland		
	Benefit for the country	Country contribution
Erasmus+	**2015:** 2.8MEUR through centralised actions.	Negotiations suspended due to 2014 Immigration referendum. Switzerland is now contributing with own sources to be able to participate in certain components of the programme as partner country. In 2015, the CH Foundation promotes mobility projects with a **total of 20 MEUR in 2015 and with 18 MEUR in 2014.**
H2020	**2014:** 85MEUR (awarded to projects with Swiss participation)	N/A
EaSI	Does not participate	
COSME	Does not participate	
AMIF	Does not participate	
Rights, Equality and Citizenship programme	Does not participate	
Europe for Citizens	Does not participate	
External Aid	Full access to thematic programmes IcSP and EIDHR. In general, eligible to all geographic programmers and EDF, but only when contracts are implemented in a Least Developed Country or in a Highly Indebted Poor Country (HIPC) due to its membership to OCDE and not membership to EEA - **No access for IPA**	
ESIF	They do not benefit of ESIF Switzerland has a free trade agreement with the EU, and therefore can participate in public tendering, although sectorial limitations can apply.	

BRITISH COUNCIL

THIRD COUNTRIES : ISRAELI MODEL

Some Third Countries without any particular access to the EU, engage in EU programmes as partners but not as beneficiaries. Since Israel's status is slightly different in relevant programmes like H2020, it has been included as a special case among the countries belonging to this category.

The legal framework for EU-Israel relations is provided by the EU-Israel "Association Agreement". Israel reached bilateral agreements with the EU in order to enhance participation in several programmes. H2020 for example, is done on equal basis, conditions and benefits as any other EU Member State. This shows that, Israel being a world leader in Research, Innovation and Development, the EU is open to engage with strong partners in areas that benefit the EU's worldwide position.

As a country included in the Neighbourhood programme, Israel has access to several EU External Aid instruments, but neither to the whole list of African, Asian or American geographical instruments, nor to the specific programmes for Civil Society organisations.

FUNDING ANALYSIS		
Israel		
	Benefit for the country	Country contribution
Erasmus+	2015: 1 MEUR for decentralised actions	N/A - financial Israel participation in the programme is subject to specific criteria or conditions and participates in some actions, notably in the fields of higher education and youth.
H2020	2014: 142 MEUR. Full access to the Horizon 2020 Programme for Israeli researchers, universities and companies in equal condition to EU Member States.	Israel pays an annual financial contribution to the General Budget of the European Union in accordance with Annex I of EU-Israel "Association Agreement" - NA
EaSI	Does not participate	
COSME	Does not participate	
AMIF	Does not participate	
Rights, Equality and Citizenship programme	Does not participate	
Europe for Citizens	Does not participate	
External Aid	Full access to **IPA and ENI programme,** and thematic instruments IcSP and EIDHR For the other geographic and thematic instruments, and EDF, only when contracts are implemented in a Least Developed Country or in a Highly Indebted Poor Country (HIPC) due to its membership to OCDE.	
ESIF	Israel has a free trade agreement with the EU, and therefore can participate in public tendering, although sectorial limitations can apply	

THIRD COUNTRIES : US MODEL

US cooperation with the EU is based on the Transatlantic Declaration of 1990 and the New Transatlantic Agenda (NTA) of 1995. This includes summit meetings between the US, the European Commission and the country holding the EU Presidency. The US has to cover the cost of its participation in EU funds, and US companies have restricted access to External Aid funds. The signature of the Delegated Agreement entitles USAID to implement EC budget in exceptional circumstances. There is also an active cooperation across different sectors like justice, home affairs, energy, environment, science and technology, and education and training.

Together, the EU and the US have the largest bilateral trade and investment relationship in the world with almost 31% of the world trade and over 49% of the world's GDP.

FUNDING ANALYSIS		
US		
	Benefit for the country	Country contribution
Erasmus+	**2015:** 1.8 MEUR, mainly for Jean Monnet and Knowledge Alliances calls.	N/A financial Participates as "Other Partner Countries". Participants from non-EU countries coming into the EU and participants from the EU going to non-EU countries to take part in an Erasmus+ project have to apply for a visa to enter the receiving country.
H2020	**2014:** 5 MEUR	5 MEUR Participate as a Third Country, covering its own costs. However individual calls may make provision for participation of Third Countries, or bilateral agreements may exist that allow participation on certain topics.
EaSi	Does not participate	
COSME	Does not participate	
AMIF	Does not participate	
Rights, Equality and Citizenship programme	Does not participate	
Europe for Citizens	Does not participate	
External Aid	Full access to thematic programmes IcSP and EIDHR. In general, eligible to all geographic programmers and EDF, but only when contracts are implemented in a Least Developed Country or in a Highly Indebted Poor Country (HIPC) - **No access for IPA** USAID has a Delegated agreement with the EC.	
ESIF	For tenders, TTIP currently under negotiation. Part of the WTO GPA agreement	

ALTERNATIVE MODEL: THE CONTINENTAL PARTNERSHIP (CP)

In addition to the models presented above, there is also a debate on the need to create a new form of collaboration between the EU and the UK, as none of the existing off-the-self models could be adequate for the UK.

This is the case of the proposal launched by the **Bruegel Think Tank**[15] known as **"Continental Partnership".** According the authors:

- "Norway" option would not allow for limits on freedom of movement for workers (priority for UK government), and it would turn the UK into a pure rule taker.
- In the "Swiss" model, the UK would become a pure follower of EU regulation in those sectors in which it would participate. From the EU point of view this would be criticized as cherry picking- choosing in which areas to participate.

Instead, Bruegel proposes a **relationship that is "considerably less deep than EU membership but rather closer than a simple free-trade agreement".** In other words, it proposes a model for EU-UK relationship that would sustain the deep economic integration, in which the UK would participate in goods, services, capital mobility and some labour mobility, but excluding the freedom of movement of workers and political integration.

The Continental Partnership (CP) should involve:

- Participation in a series of selected common policies consistent with access to the Single Market (the UK would have to accept the acquis in all single market areas, except those relating to the free movement of workers). Thus, UK would have a say in drafting the EU legislation – it would have a right to propose amendment to the draft EU legislation- however, the final say would lie in the hands of the EU. As regards the free movement of workers, the UK would impose a quota-system for the EU as a whole, and the EU would impose a quota system on the UK.
- Participation in a new CP system of inter-governmental decision making and enforcement, through the creation of a CP Council: members would be the EU, all MS, UK and any other county that would be accepted, as for example Turkey, Ukraine, or any of the EEA countries.
- Contribution to the EU budget.
- Close Cooperation on foreign policy, security and possible defence matters.

In the long run, this proposal could lead to a Europe of "two circles", with the inner circle housing all EU members, and the outer, looser circle would include countries not in the EU.

[15] Source: http://bruegel.org/2016/08/europe-after-brexit-a-proposal-for-a-continental-partnership/

BRITISH COUNCIL

ANNEX II - INFORMATION SOURCES

Sources of information not listed as footnotes:

- Legal basis for all funding: http://ec.europa.eu/budget/mff/programmes/index_en.cfm
- Norway Mission to the EU:
    - http://www.eu-norway.org/eu/norway_and_the_eu/#.V7WHCGVWcuY
    - http://www.eu-norway.org/eu/Financial-contribution/#.V8cJm2VWcua
- Summary of the AGREEMENT ON THE EUROPEAN ECONOMIC AREA:
    - http://www.efta.int/legal-texts/eea
- Norwegian Ministry of Foreing Affairs: https://www.regjeringen.no/globalassets/upload/UD/Vedlegg/eu/norge_og_eu_2011.pdf
- EFTA: http://www.efta.int/eea/eu-programmes
- Open Europe: http://openeurope.org.uk/today/blog/what-would-a-norway-style-relationship-with-the-eu-entail/
- In Facts: https://infacts.org/norwegians-pay-same-brits-eu-access/
- The major bilateral agreements Switzerland–EU, Directorate for European Affairs DEA: https://www.eda.admin.ch/dam/dea/en/documents/folien/Folien-Abkommen_en.pdf
- The Federal Council: https://www.admin.ch/gov/en/start/dokumentation/medienmitteilungen.msg-id-60389.html
- Bilateral Agreements Switzerland-EU, Directorate for European Affairs DEA: http://www.europarl.europa.eu/meetdocs/2009_2014/documents/deea/dv/2203_07/2203_07en.pdf
- Switzerland and the EU, Directorate for European Affairs DEA: https://www.eda.admin.ch/dam/eda/en/documents/publications/EuropaeischeAngelegenheiten/Schweiz-und-EU_en.pdf
- Luxembourg National Contact Point for Horizon 2020: http://www.horizon2020.lu/Toolbox/FAQ/Non-EU-Partners
- EFTA: http://www.efta.int/eea/eu-programmes/application-finances/eea-efta-budget
- Delegation of the EU to Israel: http://eeas.europa.eu/delegations/israel/eu_israel/political_relations/institutional_framework/index_en.htm
- Erasmus+ Programme guide: http://ec.europa.eu/programmes/erasmus-plus/sites/erasmusplus/files/files/resources/erasmus-plus-programme-guide_en.pdf
- Agreement between the EU and the State of Israel: http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A22014A0617(01
- Ministry of EU Affairs, Turkey: http://www.ab.gov.tr/?p=65&l=2
- H2020:
    - http://ec.europa.eu/programmes/horizon2020/
    - http://www.h2020.org.tr
- TURABDER: http://turabder.org/en/turkey-eu/turkey-eu-relations/eu-programmes-and-agencies
- Full Fact: https://fullfact.org/europe/turkey-likely-join-eu/
- DG Enlargement, EC:
    - http://ec.europa.eu/enlargement/policy/glossary/terms/participation-pac_en.htm
    - http://ec.europa.eu/enlargement/policy/conditions-membership/chapters-of-the-acquis/index_en.htm

  - http://ec.europa.eu/enlargement/countries/detailed-country-information/turkey/index_en.htm
- USA Mission to the EU: http://useu.usmission.gov/transatlantic_relations.html
- EC External Action Service: Source: http://eeas.europa.eu/us/index_en.htm
- H2020, USA country page: http://ec.europa.eu/research/participants/data/ref/h2020/other/hi/h2020_localsupp_usa_en.pdf
- EC Research and Innovation: http://ec.europa.eu/research/iscp/index.cfm?amp;pg=usa
- ITV: http://www.itv.com/news/update/2016-07-25/no-uk-us-trade-deal-until-britains-eu-relationship-clearer/
- New Transatlantic Agenda: https://eeas.europa.eu/us/docs/new_transatlantic_agenda_en.pdf