



## REVIEW OF THE FINANCIAL REGULATION Public consultation

### Introduction

The following reply is based on a discussion and feedback in the eMobility European Technology Platform.

The eMobility European Technology Platform (ETP) is a community of more than 650 European member organisations (manufacturers, network operators, SMEs, R&D centers and universities) to address, as a community, the challenges of future networks by building on Europe's success in mobile communications. It provides networking opportunities between different countries and stakeholders in particular on research topics. eMobility has a focus on mobile and wireless communications, however with an extension to optical communications. A major objective is to identify research topics and challenges and to consult the EU Commission and national administrations towards the adoption in research programs. It facilitates the launch of research consortia in particular in EU Framework Research Programs. Details are available at

<http://www.emobility.eu.org/>

**Question 1:** Are you sufficiently informed about upcoming call for proposals in a timely manner? What improvements would you suggest?

**Answer:** Yes. Calls are published on the Cordis web site of the EU Commission. Call are announced in advanced by proposers days, which are organized by the Commission. National contact points and associations also distribute the information towards the community. In the case that projects are launching competitive calls as part of their contract, such calls should also be published via the Commission services.

Recently, the Call 5 submission deadline has been moved forward compared to the originally date. With respect to planning security such deadlines should be kept after being published, e.g. in Proposers Days.

**Question 2:** Should the rules be more flexible on co-financing requirements taking into account the type of actions and project managers? How could in-kind contributions best be dealt with, while adhering to the non-profit principle?

**Answer:** The existing rules should be maintained in general. Commercial partners do not make a profit with collaborative research projects.

However, in the case of SMEs and public partners the rules should be adapted. Such organisations are normally making a 25% cash contribution to the project since they operate on no-profit or no-reserve budget conditions. In such a case non-interest lending by EC (delayed provision of cash contribution) or contribution in kind should be acceptable from such partners.

**Question 3:** Should the use of lump sums, flat rates become the norm rather than the exception? Should the rules, allow of costs to be covered on the basis of expected outputs? If yes, can you provide concrete examples?

**Answer:** No. Flat rates and lump sums would not be appropriate. This would discriminate commercial as well as public partners as their cost structures, especially regarding overhead costs, are different in different countries and organisations. The different average cost of different organisations in participating countries have to be taken into account.

However, we suggest to simplify the procedure of calculating the hourly rates (direct and indirect rates). Instead of calculating these rates on an individual base (actual cost) we prefer the use of average costs (i.e. on cost centre level). This would simplify the administrative overhead significantly and would also comply with the Financial Guidelines (Article 172a (d) – Eligible Cost) "they are identifiable and verifiable, in particular being recorded in the accounting records of the beneficiary and determined according to the applicable accounting standards of the country where the beneficiary is established and according to the usual cost accounting practices of the beneficiary". With respect to reduced management overhead more budget would be available for research activities.

**Question 4:** Should the rules strictly adhere to the non-profit principle or should there be room for some flexibility in this matter? Do you have examples of good practices from other public authorities?

**Answer:** Not relevant. There is no profit for commercial project participants.

**Question 5:** What, in your view, would be the appropriate amount for low and very low value grants?

**Answer:** Not relevant. The grant value has to be in a reasonable ratio to the necessary administrative overhead for reporting and cost claims. The major part of the grant budget should be available for research activities. Such small amounts of grants such as described in the referenced articles of the Consultation Working Document on this question are mainly used for consulting purposes, which does not apply for collaborative research projects.

**Question 6:** How could the rules on operating grants be more flexible? In which way? What are your views on the duration of framework partnership agreements?

**Answer:** There is no actual need for more flexibility. The management overhead does not depend on the project duration, because reporting and cost claims have to be

performed on regular basis. Therefore, we do not see a need for a gradually decrease of operating grants for longer project durations (Article 113.2 FR).

A framework partnership project should have a length in the order of two years

- as a compromise between efficiency and overhead for proposal and contract preparation and starting the project and
- binding resources in partner organisations for a time period, which may be within medium-term planning cycles of commercial organisations.

**Question 7:** Can you give concrete examples and types of actions where the strict limitation on cascading grants became an obstacle for achieving the goal of your action?

**Answer:** Not all resources for fulfilling the targets are kept permanently in companies, Third Parties and Subcontracts should be allowed. We further suggest to accept Third Parties and Subcontractors, e.g. limited with 25% of the Budget per partner in order to add special and necessary know how and to allow more flexibility.

**Question 8:** From your experience, what alternative solutions could be proposed for pre-financing payments while safeguarding tax payers' money?

**Answer:** Pre-financing is essential for many organisations to finance their activities in advance, if not sufficient capital is available. This applies in particular for SMEs and public organisations.

A more risk-tolerant approach should be taken by the Commission. In the case of bankruptcy of a partner quarterly management reports, contributions to deliverables and declarations by project partners on the contribution of such a partner should be accepted that the proposed work has been performed. In such a case pre-financing for such partner was justified and only unused parts of the pre-financing should be requested back. If a partner does not perform according to the contract and is not bankrupt, the Commission should request back full amount of the pre-financing.

**Question 9:** What mechanism, other than pre-financing guarantee, could be explored while ensuring adequate protection of community funds?

**Answer:** Pre-financing is essential for many organisations to finance their activities in advance, if not sufficient capital is available. This applies in particular for SMEs and public organisations.

The Commission should accept a more risk-tolerant approach. It is expected that the order of magnitude for loss of pre-financing will be small compared to the entire funding budget. It is proposed that the Commission is establishing insurance for such loss based on past experience.

**Question 10:** Based on your experience, do you think current thresholds are still adequate or should they be increased, and why?

**Answer:** Such contracts with a low funding budget thresholds below 60000 € are not common in research projects. This may apply for consultancy work. Commercial

organisations are usually involved in collaborative projects, where total funding budgets are usually much higher. In Framework Program calls for proposals usually a significant oversubscription can be expected. Therefore, the procedures for low-value contracts seem not to be applicable, which assume only one offer.

#### **Comments/answers from eMobility members**

None

**Question 11:** How could the application procedure for both grants and contracts be further improved?

**Answer:** Since FP7 Call 4 e-Tools are used by DG Info Society and Media for proposal preparation, submission and contract negotiation. This reduces the overhead for paper work. It should be ensured that information on organisations should be requested only once and then taken from a data base for all proposals in one call. This should reduce the administrative overhead per organisation. The focus should be on the preparation of the technical content of the proposal.

A two step proposal process does in practice not reduce the overhead very much. From experience the documentation for the first evaluation step is already rather close to the final proposal, a rather high effort is usually already spent in this step. The first step is the main decision making point. If a two step procedure is followed, it might be more efficient to organise a hearing session, where proponents present their project idea towards a panel in order to get guidance. For that purpose only slides and a limited time could be allowed, which would also limit the effort to prepare that first step. Proponents, who are recommended to continue, would then prepare a formal proposal.