



EFC Contribution to European Commission public consultation on the review of the Financial Regulation

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Based on an open call for comments issued in September and November 2009 among its membership consisting of 230 individual or corporate grantmakers, the European Foundation Centre (EFC) would like to comment on the European Commission Financial Regulation review as follows:

I. General Comments:

1. The EFC welcomes the European Commission review of its Financial Regulation, which is the EU's core text governing the establishment and implementation of the EU budget and the control of the European Communities' finances.
2. EFC members feel that complying with EU Financial Regulations can be both a very human-resource intensive and time-consuming exercise, which has often deterred them from applying for EU funding. Simplifying the procedures should therefore be given priority.
3. The issue of VAT should be further reviewed, in particular in the case of sub-contracting.
4. The use of fixed exchange rates does not reflect actual fluctuation in the financial markets.
5. Room should be given for grants given on a discretionary and/or occasional basis with specific purposes.
6. An improved Financial Regulation could contribute to bolstering the financial sustainability that civil society needs in order to be more effective in challenging times; yield a better return on investment, while improving the European Commission's own efficiency and effectiveness; and promote a culture of social investments.

II. Comments on specific questions:

1. THE AWARD OF GRANTS:

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

- Information should be easier to find through, for example, an easily accessible directory. This issue is difficult in particular for smaller organisations.
- Centralised information is desirable.
- Proposals should be more readable (less jargon).
- The use of English only can be problematic, and translations (if they exist) are not always accurate.
- Some of the deadlines are tight for some calls, therefore projects can not be presented to best standards.

- Once a grant has been awarded it is almost impossible to amend the programme even if that would lead to better results.

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?

Co-financing:

- Rules should be more flexible. For example it rarely happens that the costs actually incurred are the same as estimated in the proposal.
- Current rules do not encourage cost-effectiveness.
- Double ceiling: having grants as maximum amount and maximum percentage, defined in the grant agreement as a proportion of eligible costs, is problematic as the calculation is sometimes difficult. It would be easier to mention maximum rate of funding.
- Level of co-funding: more transparency on rationale behind chosen proportion – more flexibility.

In-kind contributions – Excluding such contributions as eligible costs – is a barrier for non-profit organisations.

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

- Lump sums and flat rates might be easier to use and would be a welcome simplification. However the criteria to set the amount need to take into account the country specific situation: flat rates are often too low and based on assumptions (applicants are encouraged to increase expenditure).
- There could be an option to choose between submitting a budget based on lump sums or real costs.
- Outputs' measurement: What are the criteria used to measure? What are the indicators? How do you measure long-term results? Social innovation should be taken into account - balance must be found on outputs (products) and outcomes (impact).
- 7% cap to cover indirect costs is too low to cover overhead costs.
- The situation of VAT is often unclear for the beneficiary and its sub-contractors.

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?

- The non-profit principle may require some more flexibility, in particular some aspects of a project's material distribution (e.g. symbolic economic value for project-related publications, so that these can be accessed through normal commercial channels).
- With regard to the non-profit principle, it could be recommended to distinguish between operating grants and project funding as follows:
 - Operating grants: extra additional funding would automatically be deducted from EC grant; building of reserves not possible; consider excluding operational grants from the scope of the non-profit rule provided that non-distribution of surplus is confirmed.
 - Project grants: impossible to claim overheads in applications is disincentive; if deliverables are achieved having spent less than the project budget, but more than the EU contribution, then the recipient should be allowed to retain the surplus, as long as its objectives do not counter those of the EU and the non-distribution requirement is fulfilled.

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

- In principle, there should be low limits for low and very low value grants. A threshold of 150,000 € for the low value and 20,000 € for very low value could be considered.
- Sometimes more flexible use of funds is desirable, e.g. if during the course of the project it is felt that less money should be used for a meeting/conference and that, for instance, research should be deepened, it is a long process to get acceptance for this kind of different use of funds within the project.

- Current amount allowed for reallocation is generally considered too low.

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?

- Existing procedures to amend projects' deadline should be more flexible;
- Duration should take into account country- and timeline specificities (for example summer breaks)
- Beneficiaries of operating grants must be allowed to claim indirect costs for projects not included in the action plan submitted for the operating grant.
- A more pragmatic process based on agreed objectives rather than micro-managing spending would seem more effective. The level of detail required from applicants for operational grants needs to be reduced.
- Framework agreements are welcomed.

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?

- Limitations imposed on cascading grants involving third parties may hinder the effective promotion of self-employment among vulnerable groups (e.g. immigrants, people with disability, Roma). This is explained by the fact that people within these groups require a relevant amount of public aid to establish their own micro-business.
- In this context, the EU should review the application of the 'de minimis rule' to self-employment projects involving social economy actors, minorities and EU citizens at risk of marginalisation from the labour market and social exclusion. Flexibility regarding the accumulation of aids is also needed.

2. THE COMMISSION'S HANDLING OF FINANCIAL FILES:

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

- Proper 'pre-application' process for grants to better ascertain the quality of potential applicants outside of project timetables. (Public benefit organisations should be able to ascertain beforehand whether they are eligible to apply for grants from any part of the EC prior to their completing whole applications)
- Pre-financing should be offered with credit limits (without interest payments). Reporting process should be reviewed and simplified.

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

- Civil society organisations with low assets find it difficult to obtain a guarantee; the system can therefore become discriminatory to applicants.
- Option: Increasing the choice of applicants for providing a guarantee (eg. bank guarantee). With a bank guarantee mechanism, the certainty that the retained funds will be paid if the contractor does not fulfil the stipulated obligations under the programme is maintained. At the same time, it avoids, for the contractor, the financial implications caused by the time gap between the project closure report and the formal closure of the programme (it may sometimes take up to two years).

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

- Thresholds for advanced payments should be raised to 10 to 12% for two main reasons: First, operational Programmes are approved with huge delays, and second, higher advanced payments help mitigate decommitment risks.

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

- Reduce the number of documents that applicants need to fill in; many documents require a precise level of planning that often does not reflect the reality of the situation.
- Enough time must be given for project beneficiaries to comply with the application procedure. For instance, submission dates should not be so tight because partnership agreements, i.e. the collection of all the signatures, require some time.
- Overall process should be simplified and shortened: EU process can often take months; application in stages to be considered.
- Language should be simplified in the documents.
- Time period for record retention could be shortened as too long of a process becomes expensive and unrealistic.
- Similar procedures across various DGs are recommended
- Finally, proportionality must be taken into account - additional audits should be required to take place within a given timeframe at the end of the project.



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- Convening foundations to facilitate exchanges of information and expertise and fostering cooperation with national-level associations of foundations, donors' fora and other organisations serving the sector

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