



**EUROPEAN COMMISSION**

Directorate-General for Communications Networks, Content and Technology

Artificial Intelligence and Digital Industry

**Technologies and Systems for Digitising Industry**

## **Frequently Asked Questions**

### **European Digital Innovation Hubs**

**Disclaimer:**

This document aims to give answers to the most frequently asked questions related to European Digital Innovation Hubs under the Digital Europe Programme. It does not replace the Digital Europe Regulation, the upcoming DEP Work Programme 2021-22, or the Call texts, which are the official references.

**Version history**

1.0	30 June 2020	First version of the FAQ document
2.0	20 July 2020	Added: sections A.5, C.5 and D. Reformulated: section B.2.

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(when the text refers to a “Member State”, this should be interpreted as a “Member State or Associated Country”)

## A. Defining the list of candidate EDIHs

### A.1. Which are the requirements for the designation of EDIHs from Member States?

The [DEP draft Regulation](#) mentions: “For the purpose of the establishment of the network, each Member State shall designate, in accordance with their national procedures, administrative and institutional structures, candidate entities through an open and competitive process”. There are no further requirements for the process. The Member States do not need to provide to the EC a justification of the procedure they used; they will have to provide to the EC only the list of designated EDIHs that they commit to support, and a declaration of honour that they used an open and competitive process.

Many countries are planning a light process based on a national expressions of interest to select the core partners of the designated EDIHs; these core partners will then complete the consortium and develop a full proposal for the European call.

### A.2. Should at least one EDIH have a focus on AI? And on agriculture?

As mentioned in the [White Paper on Artificial Intelligence](#), “the Commission will work with Member States to ensure that at least one digital innovation hub per Member State has a high degree of specialisation on AI”. This does not mean that Member States should propose at least one AI research excellence centre as a candidate EDIH, but at least one candidate EDIH needs to have expertise to be able to support SMEs and/or the public sector with some of the most frequent usages of AI.

The [Declaration of cooperation](#) on ‘A smart and sustainable digital future for European agriculture and rural areas’ mentions as an action to “ensure that agriculture is covered as an area of expertise in at least one digital innovation hub in each Member State, which could be a dedicated agri-food digital innovation hub or a more general one”. This digital innovation hub can be funded from national, regional or other sources and does not need to be part of the EDIH network. However, collaboration with the EDIH network will be foreseen through the events organised by the Digital Transformation Accelerator.

### A.3. What information should Member States provide about the designated EDIHs?

Please refer to section 3.2.1 of the document “European Digital Innovation Hubs in Digital Europe Programme”. Member States should provide the following information for the entities they propose as candidate EDIHs:

- a short description about what the hub can do and which needs for the industry and areas of public interest can be addressed; its focus and geographical area;
- a description of the consortium forming the EDIH, its management capacity, staff and available infrastructure;
- the governance structure of the consortium.

- If the consortium plans to include further partners, which will be identified before the restricted call, a description of their role and type of organisation should be included.
- Information about how the proposed EDIH implements the national strategy on EDIHs.
- Information about the maximum amount of co-funding available from the MS for each designated entity.

Moreover, the Member State will have to confirm that the designated EDIH is eligible, confirming that they have

- appropriate competences;
- appropriate management capacity, staff and infrastructure;
- operational and legal means to apply the administrative, contractual and financial management rules laid down at Union level;
- appropriate financial viability, corresponding to the level of Union funds it will be called upon to manage.

For the above points, only concise information is required. The EC does not require a full proposal at the time of the designation of candidate EDIHs.

#### A.4. Who can be part of an EDIH?

Any legal entity can be part (of the consortium) of an EDIH.

There is no need to be registered in the “Digital Innovation Hubs catalogue” (<https://s3platform.jrc.ec.europa.eu/digital-innovation-hubs-catalogue>) to become or to be part of an EDIH. The Catalogue is a tool to list organisations that consider themselves to be a DIH, but it is not an official label.

An EDIH must have a not-for-profit objective; if a commercial company is part of an EDIH, they should declare that for the activities covered by the grant they apply a not-for-profit objective, i.e. all money earned by them or donated to them is used for pursuing the EDIH’s objectives and for keeping the EDIH running.

An EDIH typically has a regional / local focus, and therefore the consortium would normally be based on the work of local actors. It may happen that – for instance – a certain research institute has unique expertise that is useful in several regions, but it could be preferable that the research institute becomes part of only one EDIH, and provides services to the other EDIHs in the same country or in other countries through the network of EDIHs. This is not a formal rule though; the same legal entity can be part of two or more EDIHs. For example, different departments of the same legal entity can be part of two different hubs.

#### A.5. How to interpret the “not-for-profit” objective of an EDIH?

The document “European Digital Innovation Hubs in Digital Europe Programme” defines a European Digital Innovation Hub (EDIH) as “a single organisation or a coordinated group of organisations with complementary expertise, with a not-for-profit objective that support companies – especially SMEs and mid-caps – and/or the public sector in their digital

transformation.” A footnote clarifies the “not-for-profit” objectives by stating that “the beneficiaries should declare that for the activities covered by the grant they apply a not-for-profit objective, i.e. all money earned by them or donated to them is used in pursuing the EDIH’s objectives and keeping it running.”

It is not a requirement that any or all of the organisations that make up the EDIH are non-profit organisations. In theory, an EDIH could not have any organisation that is formally registered as a non-profit entity. As clarified in Section A.4, commercial (i.e. for-profit) companies can be part of an EDIH. However, they should declare that for the activities covered by the grant all money earned by them or donated to them is used for pursuing the EDIH’s objectives and for keeping the EDIH running. This should be clearly stated in a proposal submitted to the Restricted Call, under the section Relevance.

During financial reporting, an EDIH declares its costs. The financial statements must detail the eligible costs and contributions for each budget category and, for the final payment, also the revenues for the action. Please find below an excerpt from the draft Digital Europe Model Grant Agreement. Our current thinking is to have a no-profit rule.

### **Step 3 — Reduction due to the no-profit rule**

If the no-profit rule is provided for in the Data Sheet (see Point 4.2), the grant must not produce a profit (i.e. surplus of the amount obtained following Step 2 [i.e. total accepted EU contribution limited to the maximum grant amount] plus the action’s revenues, over the eligible costs approved by the granting authority (accepted costs)). ‘Revenue’ is all income generated by the action, during its duration (see Article 4), for beneficiaries that are profit legal entities.

If there is a profit, it will be deducted in proportion to the final rate of reimbursement of the eligible costs approved by the granting authority (as compared to the amount calculated following Steps 1 and 2 minus the contributions).

In other words, any revenues generated that together with the total accepted EU contribution (limited to the maximum grant amount) exceed the approved eligible costs will lead to a reduction of the grant.

At this moment, it is not fully clear what would constitute revenues. We will update in a later stage. For information, the following are considered ‘receipts’ under Horizon 2020:

- income generated by the action; if the income is generated from selling equipment or other assets purchased under the Agreement, the receipt is up to the amount declared as eligible under the Agreement;
- financial contributions given by third parties to the beneficiary specifically to be used for the action [note that this would include national and/or regional funding], and
- in-kind contributions provided by third parties free of charge and specifically to be used for the action, if they have been declared as eligible costs

It should be noted that Digital Europe Programme may have a different interpretation for revenues.

#### Example 1

A EDIH gets an EU grant of 1.5 M€ for a 3.0 M€ costs, 3 years contract. In addition, the EDIH receives a national grant of the same amount, 1.5 M€. According to the grant agreement, the EDIH will support 100 SMEs.

- a) At the end of the grant agreement, the EDIH supported 100 SMEs. During execution of the project, the EDIH decided to request a fee of 10.000 Euro to 30 SMEs, and no fee to 70 other SMEs. Its costs were 3.0 M€, and its revenues were 1.5 M€ (national grant) + 0.3 M€ (income from SMEs). The EDIH made a profit of 0.3 M€. Due to the no-profit rule, the grant amount is reduced with 0.3 M€.
- b) At the end of the grant agreement, the EDIH supported 120 SMEs. During execution of the project, the EDIH decided to request a fee of 10.000 Euro to the 20 additional SMEs, and no fee to the 100 SMEs. Its costs were 3.2 M€, and its revenues were 1.5 + 0.2 M€. The EDIH made no profit.

### Example 2

A EDIH gets an EU grant of 1.5 M€ for a 3.0 M€ costs, 3 years contract. The EDIH receives no other funding. According to the grant agreement, the EDIH will support 100 SMEs. At the end of the grant agreement, the EDIH supported 100 SMEs. During execution of the project, the EDIH decided to request a fee of 15.000 Euro to the SMEs. Its costs were 3.0 M€, and its revenues were 1.5 M€. The EDIH made no profit.

### A.6. How about cross-border EDIHs?

From a financing point of view, each Member State provides financial support for the entities legally established in its country, which is matched by an equal support from the European Commission, within the limits allocated to each MS.

Similarly, in the designation phase, each involved Member State designates the entities legally established in the MS, explaining the intention to build a cross-border EDIH.

In the restricted call, the candidate cross-border EDIH submits one joint proposal for the entire consortium, in which its legal entities are designated by the MS concerned.

For further information, see sections 1.7 and 6.2 of the document “European Digital Innovation Hubs in Digital Europe Programme”.

## B. From candidate EDIH to selected EDIH

### B.1. How will proposals in the restricted call be evaluated?

The evaluation process will be broadly similar to the one used in other European programmes (e.g. Horizon 2020), with the important difference that it will be open only to those entities mentioned in the Commission Decision on the Initial Network, which consists in principle of the EDIHs designated by Member States. All proposals will be evaluated by an evaluation committee, composed of independent external experts, using the selection criteria described below. For the selection of evaluation experts, the EC will consult the Member States. The experts cannot have conflicts of interests with the proposals they evaluate.

The award criteria will be defined in the specific Work Programme, and will be based on the following criteria:

- Relevance
- Implementation
- Impact

The three criteria will have the same weight.

For more information, please refer to Sections 3.2.3 and 3.3 in the “European Digital Innovation Hubs in Digital Europe Programme” document.

### B.2. How will the European Commission ensure that the selected EDIHs geographically cover the whole EU?

Section 3.2.3 of the “European Digital Innovation Hubs in Digital Europe Programme” document explains that after the technical evaluation of the proposals for a specific grant, where each proposal gets a score, a strategic assessment will follow where the European Commission taking into account advice of the Member States will rank all the proposals above threshold in a list based on score, geographical coverage and specialisation coverage. From all those proposals that would cover the same geographical area and specialisation, only the highest scoring one will be chosen.

As an example, it may happen in this ranked list that a certain proposal A with a certain score, geographical coverage, and specialisation coverage will not be ranked, whereas a proposal B with a lower score, but a different geographical and/or specialisation coverage will be ranked. This will happen in case proposal A has a lower score than proposal C, but the same geographical and/or specialisation coverage.

<b>Rank</b>	<b>Proposal</b>	<b>Score</b>	<b>Geographical focus</b>	<b>Specialisation</b>
1	C	13	South-West region	Industry 4.0
2	B	11	Northern region	Agriculture
no rank	A	12	South-West region	Industry 4.0

The European Commission will make the final selection for funding in the first year by taking from the ranked list the highest-ranking proposal from each Member State, taking into account the maximum amount of funding available. This procedure is repeated until all the budget is allocated or until all Member States have reached their share. This should result in a

network that will be evenly spread over all MS, according to their foreseen ratio of EDIHs, and with a minimum of 1 EDIH per MS, covering the needs of industry and areas of public interest. How this network will be expanded in year 2 and 3 is explained in FAQ B.3.

### B.3. Which calls are planned during the first 3 years of the Digital Europe Programme?

Before the first call can be launched, Member States are asked to designate their candidate EDIHs and commit to co-finance them.

In year 1 of the Digital Europe Programme, the European Commission will run a restricted call for proposals, reserved for the designated EDIHs. All the EDIH proposals evaluated above threshold will be selected, within the limits of available funds. All the selected EDIH proposals will get a contract for 3 years, with the opportunity to apply, at the end of the contract, for an extension of 4 more years, until the end of the Digital Europe Programme.

In year 2, a second restricted call will be launched, reserved to the EDIH proposals which will extend the geographical coverage of the network and were not selected in year 1, for instance because they did not meet the evaluation threshold, or because there was a lack of funding. All the selected EDIHs will get a contract under the same conditions (3 + 4 years possible extension).

In year 3, only in case the network of EDIHs will not show a balanced geographical distribution across the Union, then an open call will be launched to ‘patch the holes’ and complete the needed geographical coverage. The specific conditions of this call will be detailed in a specific work programme. All the selected EDIHs will get a contract under the same conditions.

### B.4. How will EDIH performance be monitored?

As EDIHs across Europe have similar objectives regarding supporting SMEs and/or public sector administrations in their digital transformations, all EDIHs are requested to use a set of common Key Performance Indicators, which may be extended if needed. The European Commission will provide a reporting tool and appropriate guidance on how to manage the indicators and to report them.

Similarly to other EU-funded projects, the performance of the EDIH will be assessed during periodic review meetings, in which external experts will advise the European Commission in assessing the results of the activities. A review report will identify possible problems and solutions, or suggestions to improve the services provided.

## C. Financial issues

### C.1. How should Member States prepare for the national co-financing, given that the DEP budget is not yet approved?

The EC drafted a working document called “European Digital Innovation Hubs in Digital Europe Programme”. This document contains a table with the estimated funding from the European Union, which is valid until the approval of DEP, and will be a maximum. The same amount of money is needed from national budgets, including possible regional co-financing and/or contributions from the private sector.

### C.2. What counts as co-financing of ‘the other 50%’?

The European Union funds 50% of the proposed costs for an EDIH for the duration of the grant (initially 3 years, possibly extended with 4 years). The other 50% can be made up of a combination of national funding, regional funding, and/or contributions from the private sector.

Member States or regional authorities can provide cash contributions to an EDIH, e.g. annual payments to support the operation of the hub. This could be part of an existing, ongoing grant, or part of a newly received grant.

Member States or regional authorities can provide in-kind contributions to the hub, e.g. paying for the personnel costs of university or RTO personnel that is detached to a EDIH. An in-kind contribution can be also the access to a scientific or testing infrastructure, expressed as depreciation costs of the infrastructure. In-kind contributions in the form of buildings are not foreseen.

In addition to cash or in-kind contributions by Member States or regional authorities, the private sector can provide contributions as well. If an EDIH decides to accept contributions from the private sector, it needs to ensure that the access to the EDIH is open to all users and is granted on transparent and non-discriminatory terms. See also section 2.4 in the document “European Digital Innovation Hubs in Digital Europe Programme”.

### C.3. How to calculate the depreciation costs for past investments in hubs (equipment and facilities)?

Please find below an excerpt from the draft Digital Europe Model Grant Agreement. Other options are based on full costs, which can be chosen as an exception. Our current thinking is to choose the default option.

#### **C.2 Equipment**

*[OPTION 1 by default (depreciation only):*

Purchases of **equipment, infrastructure or other assets** used for the action must be declared as depreciation costs, calculated on the basis of the costs actually incurred and written off in accordance with international accounting standards and the beneficiary’s usual accounting practices.

Only the portion of the costs that corresponds to the rate of actual use for the action

during the action duration can be taken into account.

Costs for **renting or leasing** equipment, infrastructure or other assets are also eligible, if they do not exceed the depreciation costs of similar equipment, infrastructure or assets and do not include any financing fees. ]

The part on “written off in accordance with international accounting standards and the beneficiary’s usual accounting practices” is in line with the provisions for H2020.

#### C.4. To what extent do contracts between Member States and EDIHs need to follow the funding rules of the EU?

For the grant agreement with the EU, proposals from hubs will have a certain budget, which consists of a certain amount of total direct costs, and 7% of indirect costs, giving an amount of total costs. The EU will reimburse 50% of those total costs. In addition, as part of a hub’s proposal to the European Union, the proposal needs to state that the hub is able to get financing for the other 50%, as a minimum. If selected after evaluation, the EDIH establishes a grant agreement with the EU, formally putting into contract the above.

FAQ C.2 indicates that ‘the other 50%’ may come from a combination of national funding, regional funding, and/or contributions from the private sector. It is likely that the EDIH will have a contract with its Member State and/or regional authority, either a new contract or an existing one. This is between the Member State and/or regional authority and the hub; the European Commission is not a party here and does not need to know the details of those contracts. The contracting parties have a lot of flexibility in defining the contract. For instance, if the Member State wants to finance a higher overhead percentage than the EU does, that is a possibility. If the Member State wants to finance items or additional activities that the EU does not finance, that is a possibility. However, the Member State or regional authority cannot give more than 50% co-financing for the same activities or cost items that are financed at 50% by the EU, as that would finance those activities or cost items with more than 100% and violate the ‘no-profit principle’.

#### C.5. Typical ranges (in %) for funding going to personnel costs, equipment/facilities, etc.

How much each EDIH will be spending on investments in equipment/facilities and personnel costs will be up to the EDIH to decide, and depends on its specific circumstances. The Commission therefore will not oblige any typical range for this. However, this topic has been discussed during the Stakeholder Forum in Madrid in November 2019. The audience then reported that they expected to invest 50-75% in personnel costs, 10-25% in equipment for the hub and 5-10 % in travel costs (5-10%). For more information see the [Report from the event](#).

## D. Other topics

### D.1. What is the timing of the tender for the Digital Transformation Accelerator? Will there be a time lag between the start of the first round of EDIHs and the DTA?

The creation of the Digital Transformation accelerator will be aligned with the creation of the network of EDIHs. The Call will be published at the same time as the first EDIH call, and the idea is that this project will start at the same time as or even slightly earlier than the first EDIHs.

More information about the DTA and the links with the EDIHs will be provided during the on-line networking event in autumn. See also Section 2.6. “Mechanisms for networking / collaboration: the Digital Transformation Accelerator” in the document “European Digital Innovation Hubs in Digital Europe Programme”.

### D.2. Import/export services: how does it work with IP? If you help an SME, what about IPR? If you involve a second EDIH, how does it work with IPR?

Any IPR generated by the SMEs shall rest with them. When an EDIH supports an SME, any IPR generated should in principle rest with the SME. The relation between EDIH and SME should be seen as a service relation between e.g. a consultant and their clients, where there is typically no IPR transfer from customer to consultant when the client further develops a product or service following the advice of a consultant.

A relevant document here is the [“Blueprint for cross-border collaboration among DIHs”](#) by the [AI Digital Innovation Hubs Network](#). The document defines 3 scenarios of cooperation between DIHs:

- Several DIHs cooperate to develop a new service. No client is directly involved.
- Several DIHs cooperate to jointly deliver a service to a client. This scenario deals with import/export of services.
- A DIH supports a client in identifying a suitable partner in another DIH’s ecosystem.

The three scenarios involve cooperation agreements among the organisations involved. The cooperation agreement could include provisions on IPR and financial compensation. Import/export of services could be arranged via cooperation agreements as well. Cooperation agreements need to take into account that some EDIHs are fully funded by grants and other EDIHs depend on providing paid services to SMEs.

The Digital Transformation Accelerator could play an intermediary role in establishing cooperation agreements between EDIHs. It will make available template cooperation agreements for the fast conclusion of agreements between different EDIHs.