EUROPEAN COMMISSION

Community research

7th Framework Programme

Rules for participation / Grant agreement: Financial aspects

European Commission
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Not legally binding

SEVENTH FRAMEWORK PROGRAMME

EUROPEAN COMMISSION
Community research

Overview

1. Adoption
2. How to participate & who can participate
3. Who can receive funding
4. Certification of costs & on the methodology
5. The Guarantee Fund
6. Grant agreement /payment modalities & CA

Adoption

- **FP7 EC Rules** for participation and dissemination of research results (2007-2013) were adopted on 18.12.06 by the European Parliament and Council

- **FP7 Euratom Rules** (2007-2011) were adopted on 19.12.06 by the Council

FP7 Euratom Rules follow same principles as FP7 EC Rules, however adapted to specificities of the Euratom Treaty and content of FP7 Euratom (nuclear energy research – fission and fusion)

Other rules

The Rules for Participation foresee that the Commission has to complete some aspects through three other decisions:

1. ***Rules*** to govern the **submission, evaluation, selection of proposals and award of grants, as well as redress procedures** for applicants

2. ***Rules*** to govern the **assessment of the legal and financial viability** of participants

3. **A model *grant agreement***

Main principles

Two main principles have been kept in mind for these rules:

- continuity of the principles and procedures established in FP6
- right balance between simplification, facilitating the participation of legal entities and protecting the Community's financial interest

2. HOW to participate?

Calls for proposals

- As a general rule **the Commission has to publish calls for proposals** for indirect actions in accordance with the specific requirements laid down in the relevant specific programme (SP) and work programmes (WP)

- The **first FP7 calls have been published** on the 22.12.06

- Calls for proposals will have **clear objectives** so as to ensure that the participants do not respond needlessly

Evaluation & submission procedures

- Evaluations may follow a **single** or **a two-step *evaluation* procedure** or **two-stage *submission* procedure**
- The applicable procedure will be set out in the call
- *Two-step evaluation procedure,* only proposals that pass the 1st step, based on the evaluation against a limited set of criteria, will go forward for further evaluation
- *Two-stage submission procedure*, only applicants whose proposals pass the evaluation for the 1st stage will be requested to submit a complete proposal in the 2nd stage

WHO can participate?

Who can participate?

- Any undertaking, university or research centre or other legal entity, whether established in a:
  - Member State (MS)
  - Associated country (Ac) , or
  - third country
- Joint Research Centre (JRC) - is deemed to be established in another MS or Ac
- International organisations and participants from third countries can participate only if in addition to the minima

Conditions for participation

- ***Minimum condition,*** general rule, at least 3 independent participants from 3 different MS or Ac

- ***Additional conditions*** can be established by the SP or WP (number or type of participant, place of establishment)

- ***Specific conditions*** may also apply for:
  - Frontier research actions, at least 1 legal entity established in a MS or Ac
  - Collaborative projects addressing the participation of International Cooperation Partner Countries (ICPC) minimum is 4 participants, 2 of which from MS or Ac and another 2 from ICPC countries unless otherwise foreseen in the WP

3. WHO can receive funding?

Eligibility for funding

- Legal entities from MS and Ac or created under Community law and the JRC
- International European interest organisations
- Legal entities established in international cooperation partner countries (ICPC), and
- International organisations and legal entities from third countries other than ICPC only if:
  - provided for in SP or WP; or
  - their contribution is essential for carrying out action; or
  - provision for funding is provided for in a bilateral agreement between Community and the third country

Upper funding limits (1)

- **Reimbursed will be according to the type of action and/or activity**

- **Research and technological development *activities*:** up to **50%** of eligible costs, or up to **75%** for:
  - *Non profit* public bodies
  - secondary and higher education establishments
  - research organisations
  - SMEs
  - Security related research, for highly reliable capabilities with impact on security of European citizens and targeted to a limited number of public users

- **Demonstration *activities*:** up to **50%**

- **Other *activities*** including management: up to **100%**

Upper funding limits (2)

***Actions* that will be reimbursed up to 100%:**

- **Frontier research**
- **Coordination and support**
- **Training and career development of researchers**

Reimbursement of eligible costs

- **Most funding schemes, particularly at beginning of FP7 will use reimbursement of eligible costs**

Eligible

- actual (average personnel costs may be used if do not differ significantly from actual)
- incurred during duration of project
- in accordance with the beneficiary usual accounting and management principles
- recorded in the accounts of beneficiary
- used for the sole purpose of achieving the objectives of the project

Non-eligible (identifiable indirect taxes including VAT…)

Indirect Cost

- Participants may charge eligible **direct** and **indirect** costs
- **Reimbursement of indirect costs** :
  - **For all:**
    - either actual overhead, or simplified method, or
    - flat rate of **20%** of direct costs
  - **For Non profit Public Bodies, Secondary and Higher Education establishments, Research Organisations, and SMEs** unable to identify real indirect costs, may apply for a flat rate of **60%** for funding schemes with Research, Technological Development & Demonstration
  - **For Coordination and Support Actions** limit of **7%** of direct costs

Simplified method

- A participant may use a **simplified method** to calculate its indirect costs if this is in accordance with its usual management and accounting principles
- Why this new approach?
  - The Council wished to introduce a way to facilitate the transition from the Additional Cost model (abolished) towards the declaration of actual indirect costs
  - EP added the 60% flat rate for indirect costs for specific entities, being unable to identify their indirect costs

4. Certification of costs and on the methodology

Certification on financial statements

Under FP7 we do not talk anymore about audit certificates but about **certificate on financial statements (CFS)**

Certificate on financial statements:

- Mandatory when requested funding reaches **375,000 Euro per beneficiary** (except for project of 2 years or less: CFS submitted at the end)
- If above the threshold, mandatory for every beneficiary, except if a *certification on the methodology* is provided

Certification on the methodology

- **It aims at certifying the methodology of calculating *(average) personnel costs and overhead rates***
- Waives the obligation of certificates for interim payments
- Simplified certificate for final payments
- Valid throughout FP7, on a voluntary basis, must be accepted by the EC
- Particularly aimed at legal entities with multiple participation

Who can provide these certificates?

- Qualified auditors under the 8th Directive on statutory audits
- Independent
- Public bodies, secondary and higher education establishments and research organisations may opt for a competent public officer

5. The Guarantee Fund

Implementation

- Participants are **technically responsible** to carry out the project jointly and severally towards the Community and have to carry out the work of a defaulting participant
- But: no more collective financial responsibility as under FP6
- Instead: establishment of a participant Guarantee Fund to cover risks

Risk avoidance mechanism (1)

Participant **Guarantee Fund** ("the Fund"):

- **All beneficiaires contribute to the Fund** to insure against losses of a defaulting participant
- **The contribution shall not exceed 5%** of the EC financial contribution due to each participant
- Financial interests generated by the Fund will serve to cover financial risk
- In principle this amount will be reimbursed at the end of the action

Risk avoidance mechanism (2)

- Only if interests are insufficient, Commission may deduct up to 1% from the Community financial contribution to be returned
- This retention will not apply to public bodies, entities guaranteed by a MS or Ac, and higher and secondary education establishments
- Exoneration of verification of financial viability of participants (excluding Coordinators) requesting less than 500.000 EUR
- No bank/financial guarantee may be requested
- The Commission has to establish the Guarantee Fund and its modalities of implementation

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6. Grant agreement / Payment modalities & CA

Payment modalities

- One **pre-financing** (upon entry into force) for the whole duration of the action
- **Interim payments** based on financial statements (EC contribution= amounts justified & accepted * funding rate)
- Retention (10% ?)
- **Final payment**

Consortium agreement

- Unless exempted by the call for proposals, participants will have to draw up a "consortium agreement", to govern the following:
- (a) The internal organisation of the consortium
- (b) The distribution of the Community financial contribution
- (c) Additional rules on dissemination and use including intellectual property rights arrangements, as appropriate
- (d) The settlement of internal disputes.

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Information

- EU research: http://ec.europa.eu/research/
- Seventh Framework Programme: http://ec.europa.eu/research/future/index_en.cfm
- Information on research programmes and projects: http://cordis.europa.eu/
- RTD info magazine: http://ec.europa.eu/research/rtdinfo/
- Information requests: research@ec.europa.eu

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Thank you very much for your attention

Questions?