FP7 - A practical guide for understanding rules of participation and EC funding

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Presentation Content

• Rules for Participation
  – Success factors
  – Funding schemes
  – Eligibility for funding
  – Minimum Conditions for Participation

• Financial Basic Principles
  – Funding principles
  – Reimbursement of eligible costs
  – Upper Funding limits
  – Payment Modalities
  – Direct costs
  – Indirect Costs
  – Third Parties
  – Receipts
  – Interest Yielded
  – Budget Transfer
  – Conversion Rate

• Legal Basic Principles
  – Amendment
  – Certification
  – No financial collective responsibility
  – ICPC specials

• Quiz
Timeframe for FP7 projects

- Official duration of FP7 2007-2013
- Projects resulting from FP7 calls operating
- Results from FP7 projects in use

- 2006
- First calls

- 2007
- First projects start

- 2008

- 2009

- 2010

- 2011

- 2012

- 2013

- 2014

- 2015

- 2016

- 2017

- 2018

- 2019

- 2020

- 2021

- Last projects start

- Last projects end
Stages of an EU project

6-9 months before deadline

Calls are usually open for 3 months

Evaluation period and Contract negotiations not less than 3-6 months

Project duration depending on funding scheme 1-7 years
Basic Rules of Participation
KEYS for a SUCCESSFUL project

• **Coordinator** = Official contact

• **Partners** always contact coordinator for question/problem/doubt
  When necessary coordinator contact EC officers

• **PO = Project Officer** ‡ for general and technical matters about the project
• **LO = Legal Officer** ‡ for legal query/matter
• **FO = Financial Officer** ‡ for financial query/matter

• PO/LO/FO are available
  • for support
  • for information
  • to find solution to specific cases

Do not hesitate to ask for EC officer(s) assistance during specific meetings (always good opportunity to discuss problems)
KEYS for a financially SUCCESSFUL project (1)

For Coordinator

- **DEFINE** AT THE START of the project and FOR ALL PARTNERS a clear financial management and monitoring of costs and funds

- **IMPLEMENT** a common monitoring system (excel, access, …) in line with FP7 rules and reporting requirements

- **ENSURE** periodic financial monitoring (monthly, quarterly, six monthly, yearly..)

- **CONTACT** EC officers for doubt, questions, advices, …
KEYS for a financially SUCCESSFUL project (2)

For ALL

- **READ** FP7 financial and contractual rules

- **ADAPT** your administrative management in order to be in total respect with EC rules.

- **CONTROL** the eligibility of any cost before committing it and paying it

- **RECORD** and **COLLECT** details and justification on a regular basis ‡ direct availability ‡ report easier

Doubt/question ?
> Contact your Coordinator who can contact EC Financial Officer
Funding Schemes FP6 – FP7

FP6 Instruments

- IP
- STREP
- NoE
- CA
- SSA

FP7 – Co-operation

- Collaborative Projects
- Networks of Excellence
- Coordination and Support actions

FP7 Funding Schemes
# From Instruments (FP6) to Funding Schemes (FP7)

<table>
<thead>
<tr>
<th>Funding Scheme FP7</th>
<th>FP6 Keyword</th>
<th>‘Optimum’ Size? (as per FP6)</th>
<th>‘Optimum’ Budget? (as per FP6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collaborative Projects (CP)</td>
<td>(IP/STREP) Deliverables New Knowledge</td>
<td>3-20 participants</td>
<td>€0.8-25 Million (average &lt; €10 Million)</td>
</tr>
<tr>
<td>Network of Excellence (NoE)</td>
<td>(NoE) Integration</td>
<td>6-12</td>
<td>€4-15 Million (£7 Million)</td>
</tr>
<tr>
<td>Co-ordination and Support Actions (CSA)</td>
<td>(CA) Co-ordination</td>
<td>13-26</td>
<td>€0.5-1.2 Million (£1 Million)</td>
</tr>
<tr>
<td></td>
<td>(SSA) Laying the Groundwork</td>
<td>1-15</td>
<td>€0.03-1 Million (£0.5 Million)</td>
</tr>
</tbody>
</table>
### Funding Schemes - Characteristics

<table>
<thead>
<tr>
<th>Funding Scheme</th>
<th>General Description</th>
</tr>
</thead>
</table>
| **Collaborative Projects**            | • Transnational Consortia  
• New knowledge, technology, products or common resources for research  
• Size, scope and internal organisation of projects can vary                                             |
| **Networks of Excellence (NoE)**      | • Joint programmes by organisations integrating activities in a given field  
• Longer term co-operation  
• Formal commitment to integrate resources                                                                 |
| **Coordination & Support Actions**    | Networking, exchanges, trans-national access to research infrastructures, studies, conferences, etc.                                             |
### Funding Schemes - Characteristics

<table>
<thead>
<tr>
<th>Funding Scheme</th>
<th>General Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual projects</td>
<td>Basic research via ERC - “Ideas” SP</td>
</tr>
<tr>
<td>Research for the benefit of specific groups</td>
<td>in particular SMEs such as CRAFT</td>
</tr>
</tbody>
</table>
Eligibility for Funding

Eligibility for Funding:

1. Legal entities from Member States and Associated countries or created under Community law (and JRC)
2. International European interest organisations
3. Legal entities established in international cooperation partner (ICPC) countries

and

International organisations, third countries other than INCO,
• if provided for in specific programme or work programme;
• or if essential for carrying out action;
• or provision for funding is provided for in a bilateral agreement between Community and the third country
Minimum Conditions for Participation

General:

• 3 independent participants from 3 different Member States (MS) or Associated countries (Ac)

• Natural persons may participate

• JRC may participate and is deemed to be from a different MS or AC from the other partners of the consortium (same principles for international European interest organisations and entities established under Community law)

• Additional conditions can be established by the work programme (WP) or specific programme (SP) (e.g. number or type of participant, place of establishment)

• Sole participants composed of members that meet the criteria above can participate
Financial Basic Principles
Funding principles

Based on:
• co-financing
• no-profit

NO cost models like FP6 (AC/FC/FCF)

1. Usual method to be reimbursement of eligible costs
2. May also use flat-rate and lump sum financing
3. Lump sum amounts, in particular as option for participants from ICPC and also for Marie-Curie actions
4. Combination possible (will be used for ERANET-PLUS)
5. Determination of forms of grants to be used in the work programmes and calls for proposal
Upper Funding Limits (1)

- **Research activities**: 50% of eligible costs, except for:
  - SMEs: 75%
  - Non-profit public bodies: 75%
  - Secondary and higher education establishments: 75%
  - Research organisations (non-profit): 75%
- **Demonstration activities**: 50% of eligible costs
- “Frontier” research actions: 100%
- **Coordination and support actions**: 100%
- **Training and career development of researchers actions**: 100%
- **Other activities (management, training, etc)**: 100%

Receipts to be taken into account
SME Definition(2)

An enterprise is considered to be an SME if it

• employs fewer than 250 persons and

• has an annual turnover not exceeding EUR 50 million and/or an annual balance sheet total not exceeding EUR 43 million
## Upper Funding Limits (3)

<table>
<thead>
<tr>
<th></th>
<th>FP6</th>
<th>FP7 Industry</th>
<th>FP7 Public Bodies, Universities, SMEs, etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>RTD</td>
<td>50%</td>
<td>50%</td>
<td>75%</td>
</tr>
<tr>
<td>Demonstration</td>
<td>35%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Other*</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>ERC</td>
<td>Proposing 100% direct costs plus 20% flat rate for indirect costs</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Co-ordination and Support Actions, Training, Management
Other Costs

- **Dissemination** (website, presentation in conferences, drafting of scientific publications, etc)
- **Networking** (organising seminars, BEs, preparing newsletters)
- **Coordination** (organising meetings, travelling for coordination)
- **Protection of IPRs**
- **Studies on the socio-economic impact**
- **Studies related to the exploitation of projects foreground** (feasibility studies for the creation of spin-offs etc.)
- **Management costs** (not scientific coordination)
- **Training activities** (including cost of trainers not the cost of the trainees)
Payment Modalities (1)

• Only one pre-financing (upon entry into force) for the whole duration.
  ŷ Duration ≥ 2 reporting periods, pre-financing=160% of average yearly EU funding
  ŷ Duration=1 or 2 reporting periods, pre-financing=60-80% of total EU contribution

• The pre-financing will include the amount to be transferred to the Guarantee fund (5% of EU funding)

• Interim payments based on financial statements (payment = cost accepted * funding rate)

• Retention (10%)

• Final payment
### Example: Project with duration of 3 yrs, and EU funding of 3 m€

<table>
<thead>
<tr>
<th>Payments</th>
<th>Total money received</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Pre-financing (average EU funding 1m€/year, usually 160%) = 1,6 m€</td>
<td>1,6m€ - 0,15 = 1,45</td>
</tr>
<tr>
<td>• guarantee fund = 0,15m€</td>
<td></td>
</tr>
<tr>
<td>• 1st Interim payment 1m€ accepted, payment 1m€</td>
<td>2,45m€</td>
</tr>
<tr>
<td>• 2nd Interim payment 1m€ accepted, payment 0,1m€ (because of retention 10%)</td>
<td>2,55m€</td>
</tr>
<tr>
<td>• Final payment 0,3m€ (retention 10%)</td>
<td>0,3m€ (+0,15m€) = 0,45m€</td>
</tr>
</tbody>
</table>
Real Case Project (1)

- Pre-financing
- Advance Payment
- Distribution of EC contribution
- Joint Fund
- Principles on overspending and underspending
Pre-financing & Interim Payments

**Project name:** XXXXX, **Duration:** 4 years, **Reporting periods:** 2 x 18 months + 1 x 12 months

**EC grant:** 2,000,000.00 € (1)

**Pre financing:**
- 1,066,666.00 €
- 100,000.00 € (*) \( \dagger \) GF – 5% of the EC grant
- \[ \]
  966,666.00 € (2) (paid to Coordinator)

**End of periods 1 and 2 \( \dagger \) MAXIMUM payment possible**
- 2,000,000.00 € (1)
- 1,066,666.00 € (2)
- \[ \]
  933,334.00 € (3)
- 200,000.00 € ((4) = (1) \times 10\% retention)
- \[ \]
  733,334.00 € ((5) = (3) – (4))

**End of (final) period 3\( \dagger \)** **MAXIMUM payment possible (if budget achieved + all costs accepted & certified)**
- 200,000.00 € (4)
- + 100,000.00 € (*)
- \[ \]
  300,000.00 €
Advanced Payment – Joint Fund

**NET EC PRE-FINANCING** to be transferred to the Coordinator
(160% of average EC contribution per reporting period – 5% deducted for the Guarantee Fund) = $(2,000,000/3 \times 160\%) - (2,000,000 \times 5\%)$

\[= (1,066,666.66 - 100,000.67) = 966,666\€\]

Total **JOINT FUND** = 299,999,33\€

Total **ADVANCE PAYMENT** = 666,666.67\€

to be distributed to the partners within 30 days from EC transfer

To be used when the payments transferred to the Coordinator by the EC (pre-financing + interim payment) reach the 85% of total EC contribution **OR** whenever necessary following a decision of the General Assembly.
Payment Procedure

**GENERAL PRINCIPLES**
- Payments to be made by the Coordinator within 30 days from the transfers of EC contribution
- Banking and transaction costs to be charged to each concerned Party

**FOUR INSTALMENTS**

1. **EC PRE-FINANCING**
   - Joint Fund
   - 100% of the average EC contribution per reporting period

2. **ADVANCE PAYMENT**
   - Costs approved by the EC in the I reporting period minus any remaining Advance payment

3. **I INTERIM PAYMENT**
   - I EC INTERIM PAYMENT

4. **II INTERIM PAYMENT**
   - II EC INTERIM PAYMENT

5. **EC FINAL PAYMENT**
   - Final Payment
   - Total costs approved by the EC minus payments transferred by the Coordinator

**ADVANCE PAYMENT + INTERIM PAYMENTS** cannot be > 85% of the total EC contribution
## Distribution of EC Contribution

<table>
<thead>
<tr>
<th>Short Name</th>
<th>Budget</th>
<th>EC Contribution</th>
<th>160% of Average EC contribution per Reporting Period</th>
<th>Contribution to the Guarantee Fund (5% of total EC contribution)</th>
<th>Pre-Financing received according to the EC-GA</th>
<th>Reserved in the Joint Fund</th>
<th>Pre-Financing transferred to partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>616,587,15</td>
<td>490,287,00</td>
<td>261,486,40</td>
<td>24,514,51</td>
<td>236,971,89</td>
<td>73,542,89</td>
<td>163,429,00</td>
</tr>
<tr>
<td>B</td>
<td>404,601,19</td>
<td>354,461,00</td>
<td>189,045,87</td>
<td>17,723,17</td>
<td>171,322,70</td>
<td>53,169,03</td>
<td>118,153,67</td>
</tr>
<tr>
<td>C</td>
<td>181,859,44</td>
<td>162,158,00</td>
<td>86,484,27</td>
<td>8,107,95</td>
<td>78,376,31</td>
<td>24,323,65</td>
<td>54,052,67</td>
</tr>
<tr>
<td>D</td>
<td>123,326,02</td>
<td>97,664,00</td>
<td>52,087,47</td>
<td>4,883,23</td>
<td>47,204,23</td>
<td>14,649,57</td>
<td>32,554,67</td>
</tr>
<tr>
<td>E</td>
<td>67,800,00</td>
<td>60,455,00</td>
<td>32,242,67</td>
<td>3,022,77</td>
<td>29,219,90</td>
<td>9,068,23</td>
<td>20,151,67</td>
</tr>
<tr>
<td>F</td>
<td>306,720,00</td>
<td>273,492,00</td>
<td>145,862,40</td>
<td>13,674,69</td>
<td>132,187,71</td>
<td>41,023,71</td>
<td>91,164,00</td>
</tr>
<tr>
<td>G</td>
<td>36,600,00</td>
<td>32,635,00</td>
<td>17,405,33</td>
<td>1,631,76</td>
<td>15,773,57</td>
<td>4,895,24</td>
<td>10,878,33</td>
</tr>
<tr>
<td>H</td>
<td>307,380,56</td>
<td>274,081,00</td>
<td>146,176,53</td>
<td>13,704,14</td>
<td>132,472,39</td>
<td>41,112,06</td>
<td>91,360,33</td>
</tr>
<tr>
<td>I</td>
<td>49,560,00</td>
<td>44,191,00</td>
<td>23,568,53</td>
<td>2,209,56</td>
<td>21,358,97</td>
<td>6,628,64</td>
<td>14,730,33</td>
</tr>
<tr>
<td>J</td>
<td>48,600,00</td>
<td>43,335,00</td>
<td>23,112,00</td>
<td>2,166,76</td>
<td>20,945,24</td>
<td>6,500,24</td>
<td>14,445,00</td>
</tr>
<tr>
<td>K</td>
<td>67,200,00</td>
<td>59,920,00</td>
<td>31,957,33</td>
<td>2,996,02</td>
<td>28,961,31</td>
<td>8,987,98</td>
<td>19,973,33</td>
</tr>
<tr>
<td>L</td>
<td>40,560,00</td>
<td>36,166,00</td>
<td>19,288,53</td>
<td>1,808,31</td>
<td>17,480,22</td>
<td>5,424,89</td>
<td>12,055,33</td>
</tr>
<tr>
<td>M</td>
<td>79,800,00</td>
<td>71,155,00</td>
<td>37,949,33</td>
<td>3,557,77</td>
<td>34,391,56</td>
<td>10,673,23</td>
<td>23,718,33</td>
</tr>
<tr>
<td>TOTAL</td>
<td>2,330,594,36</td>
<td>2,000,000,00</td>
<td>1,066,666,67</td>
<td>100,000,67</td>
<td>966,666,00</td>
<td>396,666,00</td>
<td>766,666,66</td>
</tr>
</tbody>
</table>

Joint Fund
Real Case Project (2): Request for Payment (RfP)

- The Coordinator authorises payments to the beneficiaries every 6 month on the basis of a “Request for Payment” provided that the commission paid in advance.

- An estimation of costs of the next nine months is also provided.

- The half-year accounting will enable a precise monitoring of costs for the beneficiary regarding his own activities as well as for the Coordinator regarding its duties.
# Real Case Project (2): Regular RfP – time schedule

<table>
<thead>
<tr>
<th>RFP No</th>
<th>Year</th>
<th>Period</th>
<th>Costs for previous months</th>
<th>Estimated Cost Period</th>
<th>Latest date for delivery</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>’08</td>
<td>1</td>
<td></td>
<td>01.04.08-31.12.08</td>
<td>09.05.2008</td>
</tr>
<tr>
<td>2</td>
<td>’08/’09</td>
<td>1</td>
<td>01.04.08-30.09.08</td>
<td>01.10.08-31.07.09</td>
<td>17.10.2008</td>
</tr>
<tr>
<td>3</td>
<td>’08/’09</td>
<td>2</td>
<td>01.04.08-31.03.09</td>
<td>01.04.09-31.12.09</td>
<td>18.04.2009</td>
</tr>
<tr>
<td>4</td>
<td>’09</td>
<td>2</td>
<td>01.04.09-30.09.09</td>
<td>01.10.09-31.07.10</td>
<td>17.10.2009</td>
</tr>
<tr>
<td>5</td>
<td>’09/’10</td>
<td>3</td>
<td>01.10.09-31.03.10</td>
<td>01.04.10-31.12.10</td>
<td>18.04.2010</td>
</tr>
<tr>
<td>6</td>
<td>’09/’10</td>
<td>3</td>
<td>01.04.09-30.09.10</td>
<td>01.10.10-31.03.11</td>
<td>17.10.2010</td>
</tr>
<tr>
<td>7</td>
<td>‘10/’11</td>
<td>3</td>
<td>01.10.10-31.03.11</td>
<td></td>
<td>18.04.2011</td>
</tr>
</tbody>
</table>
# Real Case Project (2):

## Request for Payment Form

### I. Cost Categories

<table>
<thead>
<tr>
<th></th>
<th>Coordination Activities</th>
<th>Management Activities</th>
<th>Other Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel Costs</td>
<td>24,000.00</td>
<td>0.00</td>
<td>7,000.00</td>
</tr>
<tr>
<td>Travel Costs</td>
<td>7,917.31</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Other Direct Costs</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Total Costs</td>
<td>34,151.52</td>
<td>0.00</td>
<td>7,490.00</td>
</tr>
<tr>
<td>EC-Contr.:</td>
<td>34,151.52</td>
<td>0.00</td>
<td>7,490.00</td>
</tr>
</tbody>
</table>

### II. Settlements and Planned Costs to Date

<table>
<thead>
<tr>
<th></th>
<th>Coordination Activities</th>
<th>Management Activities</th>
<th>Other Activities</th>
<th>Total Sum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel Costs</td>
<td>34,151.52</td>
<td>0.00</td>
<td>7,490.00</td>
<td>41,641.52</td>
</tr>
<tr>
<td>Travel Costs</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Other Costs</td>
<td>34,151.52</td>
<td>0.00</td>
<td>7,490.00</td>
<td>41,641.52</td>
</tr>
<tr>
<td>Total Balance</td>
<td>34,151.52</td>
<td>0.00</td>
<td>7,490.00</td>
<td>41,641.52</td>
</tr>
</tbody>
</table>

### III. New Bank

**Account Holder:**

**Bank:**

**BAN:** BIC/SWIFT Code:

**New Bank (7):**

**BAN (8):** BIC / SWIFT Code:

**PLEASE QUOTE:**

**Signature TUV:** (financial officer)

<table>
<thead>
<tr>
<th></th>
<th>Coordination Activities</th>
<th>Management Activities</th>
<th>Other Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel Costs</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Travel Costs</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Other Costs</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Total Balance</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

### IV. Planned Costs for Next 9 Months

<table>
<thead>
<tr>
<th></th>
<th>Coordination Activities</th>
<th>Management Activities</th>
<th>Other Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel Costs</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Travel Costs</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Other Costs</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Total Balance</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

### V. Actual Costs for Previous Months

<table>
<thead>
<tr>
<th></th>
<th>Coordination Activities</th>
<th>Management Activities</th>
<th>Other Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel Costs</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Travel Costs</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Other Costs</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Total Balance</td>
<td>0.00</td>
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### VI. Planned Costs for Next 9 Months

<table>
<thead>
<tr>
<th></th>
<th>Coordination Activities</th>
<th>Management Activities</th>
<th>Other Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel Costs</td>
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<tr>
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<tr>
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### VII. Ec-Contr.:

<table>
<thead>
<tr>
<th></th>
<th>Coordination Activities</th>
<th>Management Activities</th>
<th>Other Activities</th>
</tr>
</thead>
<tbody>
<tr>
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<tr>
<td>Travel Costs</td>
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<tr>
<td>Other Costs</td>
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<tr>
<td>Total Balance</td>
<td>0.00</td>
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<td>0.00</td>
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</tbody>
</table>

## Notes

1. Cumulated for the previous months
2. Estimation for the next 9 months
3. Contains consumables and durable equipment up to a maximum of 7% of the direct costs excluding subcontract and third parties costs
4. In the event the bank information changes, please provide the new data below
5. Abbreviation for International Bank Account Number
6. Abbreviation for Bank Identifier Code and Society for worldwide Interbank Financial Telecommunications
Funding Principles

- **PARTY SPENDING LESS THAN PLANNED** = to be funded in accordance of its approved eligible costs only.

- **PARTY SPENDING MORE THAN PLANNED** = to be funded in accordance with its approved eligible costs up to an amount not exceeding its share of EC contribution.

**Exception**

Possibility to receive an additional EC contribution if at the end of the project the total consolidated claimed eligible costs allow a reallocation of unspent EC contribution among the consortium.

In such a case, the EC contribution will be distributed proportionally to the Party’s exceeding share on the total overspent EC contribution.
Financial Consequences for a leaving Party

- PARTY LEAVING THE CONSORTIUM = must refund all advances paid to it except the amount of expended eligible costs accepted by the European Commission.

- A DEFAULTING PARTY = shall bear any additional costs occurring to the other Parties in order to perform its and their tasks.
Back to Financial Basic Principles
Eligible Costs

• Participants charge direct and indirect costs (option of flat rate for those who do not or cannot charge real indirect costs)

• Costs must be:
  • actual;
  • incurred by the beneficiary during the project;
  • determined according to the usual accounting and management principles/practices;
  • used only to achieve project objectives;
  • consistent with principles of economy, efficiency and effectiveness;
  • recorded in accounts and paid (or the accounts of third parties);
  • exclusive of non-eligible costs.

• Average personnel costs may be used if consistent with above and do not differ significantly from actual

\[
\text{Eligible costs} = \text{direct costs} + \text{indirect costs}
\]
Direct Costs (1)

Examples of eligible direct costs

• The cost of personnel assigned to the project. Working time to be charged must be recorded by any reasonable means (e.g. timesheets)
• Hired external consultants
• Travel and subsistence allowances for staff taking part in the project
• The purchase costs of durable equipment (depreciated cost, the portion of the equipment used in the project may be charged)
• The cost of consumables and supplies
• Subcontracting
• Certificate on the methodology and certificate on the financial statement
Direct Costs (2)

**New in FP7:** Under FP7, there are no cost models. FC, FCF and AC Models disappear. Consequently, all costs of personnel working on a project may be eligible if they fulfill the conditions of the Grant Agreement (art. II.14).

*No more difference between additional staff and permanent staff.*
### Time Sheet

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<td>31</td>
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</tr>
</tbody>
</table>

**Totals**

- **08:00**
- **02:00**

**Implemented work and outputs**

- Short description and place (if relevant)
- No

Each employee working for the Project must fill the time sheet reflecting amount of worked hours and detailed description of work done and outputs produced.

Each volunteer working for the Project must fill the time sheet reflecting amount of worked hours and detailed description of work done and outputs produced (In-Kind costs).

Please make as many as needed copies from this Time Sheet template.

Please indicate No of Work Package for implemented work (E.g. 3 or 23,5 ...)

**PLEASE FILL IN THE WORKING HOURS ONLY!**

**DO NOT FILL IN HOURS FOR VACATION, SICK LEAVE AND MATERNITY LEAVE.**

---

Hereby I confirm that the information inserted above is correct, corresponds to reality and is directly linked to the activities described in the approved Application Form of the Project.

---

**Place and date**

**Signature of the employee**

**Name and position of the superior**

**Signature of the superior**
### Form C (3)

**Institute:** FORTH

**Department:** Time Sheet Month

**Month:** December 2008

**Upper Limit of month hours:** 157.5 (21 days * 7.5 hours/day)

**Name:**

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<th>Departure time</th>
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<td>31</td>
<td>Wednesday</td>
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</tr>
</tbody>
</table>

**Total Working hours:** 119

**Comments**

The Expert

The Team Coordinator

**Total working hours of the expert, are approved as described on the table above**

The Institute Director
Indirect Costs (1)

**Indirect Costs**, also called **overhead costs**, are costs that cannot be directly attributed to the project work but are necessary to support the overall project.

**Indirect costs** (overheads) are all those structural and support **eligible** costs of an administrative, technical and logistical nature:

- which cannot be identified as being directly attributed to the project.

- which can be identified and justified by its accounting system as being incurred in direct relationship with the eligible direct costs attributed to the project.

- which are cross cutting for the operation of the beneficiary body’s various activities and cannot therefore be attributed in full to a specific project.
Indirect Costs (3): Examples

Indirect costs are connected with infrastructures and the general operation of the organisation:
- Hiring or depreciation of buildings,
- water/gas/electricity,
- Maintenance,
- Insurance,
- Supplies and petty office equipment,
- Legal Advice,
- Communication and connection costs,
- Postage,
- Administration and financial management,
- Human resource, training
- Documentation
Indirect Costs (4): How to calculate them

- For all participants:
  - either actual overhead or simplified method
  - standard flat rate of 20% of direct costs (excluding subcontracting)

- Non-profit Public Bodies, Secondary and Higher Education establishments, Research Organisations and SMEs unable to identify real indirect costs, may apply for the transitional flat rate of 60% for funding schemes with RTD.

- For CSA limit of 7% of direct costs

- For Marie-Curie actions a flat rate of 10% of direct costs.
Indirect Costs (5):
Actual Indirect Costs

- Beneficiaries which have an **analytical accounting system** that can identify and group their indirect costs in accordance with the eligibility criteria (e.g. exclude non-eligible costs) must report their real indirect costs - or choose the 20% flat rate option.

- A fair and reliable **cost driver** to allocate indirect cost from the 'pool of costs' into the different projects should be used. Indirect costs are often expressed as **% of personnel costs**.

- Whatever the method of calculation is, it must be in accordance with **normal accounting practices** and should be extracted from the official accounts.
Indirect Costs (6): Simplified Method

- May be used to calculate indirect costs at the level of the legal entity (all types of activities) if this is in accordance with its usual management and accounting principles.

- In the absence of analytical accounting.

- Requisites:
  - Be able to identify costs: in order to remove non-eligible costs.
  - Be able to allocate them per project at the level of the legal entity.

- This new approach is used to facilitate the transition from the AC model (abolished) towards the declaration of actual indirect costs.
Indirect Costs (7): Simplified

Simplified Method

Analytical System

Shared Indirect Costs

Cost center X

Shared Costs

Teaching Indirect Costs

Costs:
- Wages
- Salaries

Research project 1

Teaching activity 1

Research project 2

Research activity 1

Indirect Costs (9)

- However possibility to “improve”: from a “flat rate” to “simplified” or analytical accounting system

- Single model of indirect costs declaration per beneficiary in FP7

- **Exception**: Special clause foreseen for one legal entity with departments/faculties with different accounting capabilities

- An organisation which used the FC model under FP6 is presumed to be in situation to be able to identify the real indirect costs and allocate them to the projects.
Indirect Costs (11)

Simplified method - example
SST is an industrial company with 600 employees, of which 200 are considered indirect (management, human resources, financial administration, supporting services, etc). SST has €72M annual sales and is involved in a number of FP7 projects. SST’s overall annual overheads are €19M, of which €3M is non-eligible (marketing and sales, and other commercial costs).

The 400 direct employees work a total number of 640,000 productive hours per year. The total salaries of the direct employees, including social security costs, are €20M.

Method 1: Calculation of Indirect costs as a fixed hourly rate of the personnel costs. The calculation method is based on the eligible indirect costs (per year) divided by the annual productive hours: Overhead= €16M/640,000= €25/productive hour

Method 2: Calculation of Indirect costs as a percentage of the personnel costs. The overheads are allocated as a percentage of the direct personnel hours. Overhead= €16M/ €20M = 80%
Third Parties

Carrying out part of the work

Subcontracts: Tasks in Annex I
- Agreement on business conditions
- Awarded according to best value for money, transparency, equal treatment
- In principle **no ‘core tasks’**
- Costs in Form C beneficiary (no indirect costs charged)

‘Third Parties’: Tasks in Annex I

Special Clause 10
- JRU/EEIG/Affiliates/Groupings
- Relationship not limited to GA
- Registration in Participant Data Management (PDM) of URF
- Reporting: Own Form C CFS (if required)

Making resources available

‘Third Parties’: Tasks in Annex I
- ‘Free of charge’ or ‘reimbursed’
- Prior agreement – Annex I of GA
- Costs recorded in accounts Third Party
- Free of charge – receipt for beneficiary
- Reimbursement – direct cost for beneficiary
- Costs declared in Form C beneficiary

Special cases: foundations, etc.

Tasks in Annex I
- **Spin offs created to do Administrative management**
- Created/controlled by beneficiary
- Prior agreement
- Costs incurred in accounts Third Party
- Costs declared in Form C beneficiary
Third parties Receipts

DoW - AnnexI

EC

Coo Part1

Part2

Part3

Part4

Part5

3rd Party

3rd Party

3rd Party

RECEIPT
Specifically for project
To be declared in form C
Subcontracts

Subcontractors charge a price, which **usually includes a profit** (different from third parties, which charge only the costs of the activity)

- Tasks have to be indicated in **Annex I**

- awarded according to **best value for money** principle

- shall **not** be a “**core**” **part of the work** (based on qualitative criteria more than quantitative – in fact there is no upper limit)

- Subcontractors can be identified at proposal phase and in contracts

- Public entities: must follow national procurement principles

- Private entities: should follow the rules that they usually apply for the selection of procurement contracts e.g. submission of several quotes
Receipts (1)

2 kinds of receipts must be taken into consideration to avoid profit:

• Transfers from third parties to the beneficiary (if specifically attributed to the project and not reimbursed):
  – Financial transfers
  – Contributions in kind.

Example 1. An expert from the ministry of Environment is allocated to work free-of charge 2 days per week for a project in the University of East Anglia. This is a receipt of the project.

Example 2. An expert from the ministry of Environment is allocated to work free-of charge 2 days per week in the ENV school in the University of East Anglia. UEA can decide how to use the expert, so this is not a receipt of the project, because the expert is considered to be an “own resource” of UEA.

• Income generated by the project. e.g. from service provision
Receipts (2)

For each beneficiary:

the eligible costs ≤ EC contribution + the receipts for the project

Otherwise: reduction of EC contribution!

<table>
<thead>
<tr>
<th>Eligible Costs (budget)</th>
<th>Eligible Costs (actual)</th>
<th>Budgeted EC contrib.</th>
<th>Project Receipt</th>
<th>Actual EC contribut.</th>
<th>Reduction of EC contribution</th>
</tr>
</thead>
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<tr>
<td>€100,000</td>
<td>€100,000</td>
<td>€50,000</td>
<td>€25,000</td>
<td>€50,000</td>
<td>None</td>
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<tr>
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<td>€45,000</td>
<td>5,000 reduction due to lower eligible costs</td>
</tr>
<tr>
<td>€100,000</td>
<td>€100,000</td>
<td>€75,000</td>
<td>€40,000</td>
<td>€60,000</td>
<td>15,000 reduction to secure non-profit principle</td>
</tr>
<tr>
<td>€100,000</td>
<td>€110,000</td>
<td>€75,000</td>
<td>€40,000</td>
<td>€70,000</td>
<td>5,000 reduction to secure non-profit principle</td>
</tr>
</tbody>
</table>
Example Calculations (1)

General funding calculation example for a university

<table>
<thead>
<tr>
<th>Activity</th>
<th>Direct Eligible Costs</th>
<th>Indirect Eligible Costs (60%)</th>
<th>Total Eligible Costs</th>
<th>Funding Rate (%)</th>
<th>Funding</th>
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</thead>
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<tr>
<td>RTD</td>
<td>250,000</td>
<td>150,000</td>
<td>400,000</td>
<td>75%</td>
<td>300,000</td>
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<td>Demonstration</td>
<td>50,000</td>
<td>30,000</td>
<td>80,000</td>
<td>50%</td>
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<tr>
<td>Management &amp; Coordination</td>
<td>80,000</td>
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Example Calculations (2)

CSA project funding calculation example for a **Company**
with real indirect costs

<table>
<thead>
<tr>
<th>Activity</th>
<th>Direct Eligible Costs</th>
<th>Actual Indirect Costs</th>
<th>Eligible Indirect costs (7%)</th>
<th>Actual Total Costs</th>
<th>Funding Rate (%)</th>
<th>Eligible for Funding Total Costs</th>
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</table>
Bank Account - Interests

• All financial transaction must be **identifiable** at all levels

• **Interests** generated by the pre-financing on the Coordinator’s account must be **identifiable** and declared in the form C (deducted from the EC grant)

• Strong advise to use **one specific bank account** (if possible in euros) for the project
Interests yielded by the pre-financing

The project XYZ has:
• Grant budget = €4,000,000
• Duration = 48 months, four (4) reporting periods.
• Pre-financing = €1,600,000.
• The coordinator transfers €1,420,000 to the beneficiaries.
• The € 180,000 retained by the coordinator itself

Example

At the end of the first reporting period the interest yielded is:
• € 1,420 from the € 1,420,000 transferred to the beneficiaries
• € 2,400 from the € 180,000 retained by the coordinator
• € 3,820 (€ 1,420 + € 3,820) = total interest from pre-financing

At the first reporting period the coordinator must declare the total amount of € 3,820 as interest yielded by the pre-financing in FORM C, so it will be subcontracted from the first interim payment.

Interest yielded from the €180,000 must be declared at the end of the relevant period
Conversion rate

- **ONLY 2 options possible**
  - Exchange rate of the date when actual costs occurred
  - Exchange rate of the 1\textsuperscript{st} day of the month following the end of the reporting period

- **Single CONTRACTUAL source of information**
  - ECB (+ EU Official Journal) - Alternatively National Banks - Alternatively Info-euro

NEVER a commercial bank or web site or credit card exchange rate!!
Budget Transfer (1)

• Budget transfer between activities and beneficiaries is allowed without GA amendment, provided that the work is carried out as foreseen in Annex I to GA

• Amendment of GA necessary if change of technical work of Annex I
Budget Transfer (2): Examples

Example 1
"A" (big company) transfers within its own budget EUR 100,000 from Management activities (funded at 100%) to RTD activities (funded at 50%). If the costs remain the same (EUR 100,000), the funding will be adjusted to EUR 50,000 (as the funding rate for RTD activities is 50% and not 100%).

Example 2
"B" (an SME) transfers EUR 100,000 from RTD activities to "A" (big company). As the reimbursement rates for an SME in RTD activities may go up to 75% of the total costs, B was entitled to a funding of EUR 75,000. However, if the costs remain the same (EUR 100,000), "A" will be able to claim only EUR 50,000 as EC funding, as 50% is the funding rate for "A" (a non-SME) company in RTD activities.
ICPC special (1)

• ICPC participants may alternatively **opt for** the EC financial contribution to take the form of a lump sum financing.

• The lump sum covers all the costs of an ICPC participant, not only personnel and travel, but also equipment consumables and indirect costs.

• Upper funding limits are applied per funding scheme (75%, 100%, etc)

<table>
<thead>
<tr>
<th>Economy of the ICPC</th>
<th>Contribution (€/researcher/year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low income</td>
<td>8,000 €</td>
</tr>
<tr>
<td>Lower middle income</td>
<td>9,800 €</td>
</tr>
<tr>
<td>Upper middle income</td>
<td>20,700 €</td>
</tr>
</tbody>
</table>
ICPC special (2)

• **No audit certificates** will be requested. Only a declaration that the money were actually spent.

• The relevant **Time Sheets** should be in place

**Example**

• In a 3 year research project, 3 researchers are spending 50% of their time and 3 are working full time.

• Total researcher working years are 3 years × (3+1,5) = 13,5

• Lump sum for Low income country is 8000 €/researcher/year

• EC maximum contribution is 75% for Universities, so lump sum funding for the organisation = 13,5 × 8000 € × 75% = 81,000 €
Legal Basic Principles
Amendment (1)

RULE
‡ LEAR should inform EC of any changes in the legal details (status, legal name…). This change is validated by specific unit (URF) and communicated to each LO for action by distinct GA

Changes not requiring a **contractual** amendment

(a) **Changes in the legal data of an organisation**
> change of name, change of address, legal status, etc
> LEAR should inform the URF of any changes
> GA will be updated by information letter if needed
> In specific cases amendment could still be needed

(b) **Transfer of budget**
> "Beneficiaries are allowed to transfer budget between different activities and between themselves in so far as the work is carried out as foreseen in Annex I“
> If the transfer has a significant impact on the DoW, an amendment is however needed.
For all other cases of modification of the contract and/or activities, please consult EC (PO and LO) for right action.


First send the draft amendment request by email.

Warning: legal changes can BLOCK a payment process.
Certification (1)

Two (2) types of certificates:

- **Certificate on financial statements** (CFS) (Form D) - expenditure verification

- **Certificate on the methodology** (Form E) - system verification – Personnel & Overheads

N.B.: The submission of a certificate does not waive the right of the Commission to carry out its own audits (Article II.22 of the FP7 model grant agreement).
Certificate on financial statements (CFS)

Mandatory for a beneficiary when its requested funding for the project is equal or more than 375,000€

- exception for project of 2 years or less: no intermediate CFS submitted, only at the end

- exception if a certification on the methodology is provided

If the EC funding for a beneficiary in a project does not reach the threshold, no obligation of CFS (not even at the end)
**Example 1**: A beneficiary in a project with a duration of 5 years

<table>
<thead>
<tr>
<th>Claim No.</th>
<th>Eligible Costs</th>
<th>EC contribution @50%</th>
<th>Cumulative amount for which a CFS has not been submitted</th>
<th>CFS required</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>EUR 380,000</td>
<td>EUR 190,000</td>
<td>EUR 190,000</td>
<td>NO</td>
</tr>
<tr>
<td>2</td>
<td>EUR 410,000</td>
<td>EUR 205,000</td>
<td>EUR 395,000</td>
<td>YES</td>
</tr>
<tr>
<td>3</td>
<td>EUR 500,000</td>
<td>EUR 250,000</td>
<td>EUR 250,000</td>
<td>NO</td>
</tr>
<tr>
<td>4</td>
<td>EUR 350,000</td>
<td>EUR 175,000</td>
<td>EUR 425,000</td>
<td>YES</td>
</tr>
<tr>
<td>5</td>
<td>EUR 700,000</td>
<td>EUR 350,000</td>
<td>EUR 350,000</td>
<td>NO</td>
</tr>
</tbody>
</table>
**Example 2**: Projects of a duration of more than two years:

<table>
<thead>
<tr>
<th>Claim No.</th>
<th>Eligible Costs</th>
<th>EC contribution</th>
<th>Cumulative amount for which a CFS has not been submitted</th>
<th>CFS required</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>EUR 350,000</td>
<td>EUR 175,000</td>
<td>EUR 175,000</td>
<td>NO</td>
</tr>
<tr>
<td>2</td>
<td>EUR 350,000</td>
<td>EUR 200,000</td>
<td>EUR 375,000</td>
<td>YES</td>
</tr>
<tr>
<td>3</td>
<td>EUR 300,000</td>
<td>EUR 150,000</td>
<td>EUR 150,000</td>
<td>NO</td>
</tr>
</tbody>
</table>
Certificate on the methodology

- Aims at certifying the methodology of calculating (average) personnel costs and overhead rates
- Valid throughout FP7, on a voluntary basis, must be accepted by EC
- Particularly aimed at legal entities with multiple participation

Consequences:
- Waives the obligation of certificates for interim payments
- Simplified certificate for final payments
No financial collective responsibility

- Replaced by Guarantee Fund

- GF = 5% of EC contribution paid at the moment of the pre-financing

- Each beneficiary financial responsibility limited to its own debt

- At the end of the grant agreement, up to 1% of EC Contribution may be deducted (except for public bodies, education establishments, entities guaranteed by MS or AS)

- However, there is “technical responsibility” to carry out the project jointly and severally vis-à-vis the Commission.
Guide to Financial Issues

Model grant agreement
http://cordis.europa.eu/fp7/calls-grant-agreement_en.html#ideas_ga

Amendments Guide for FP7 Grant Agreements

Find a document

Europe Direct:
Tell free number: 00800 6 7 8 9 10 11
web submit form at: http://ec.europa.eu/europedirect/index_en.htm

Finance Helpdesk:
Quiz
Can part of the management tasks be performed by other beneficiaries?

Coordination tasks are part of the "management tasks"; however, "management tasks" include tasks beyond those of coordination of the project, and those tasks can be performed by beneficiaries other than the coordinator. In this sense, some management tasks will be performed by other beneficiaries and they will be reimbursed at 100%.
Question 2

Under which cost category can we charge the costs of a scientific coordinator

- RTD costs [√]
- Management costs
- Other costs
Question 3

Project with duration of more than two years with EC contribution < EUR 375,000

<table>
<thead>
<tr>
<th>Claim No.</th>
<th>Eligible Costs</th>
<th>EC contribution</th>
<th>Cumulative amount for which a CFS has not been submitted</th>
<th>CFS required</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>EUR 200000</td>
<td>EUR 100000</td>
<td>EUR 100000</td>
<td>NO</td>
</tr>
<tr>
<td>2</td>
<td>EUR 250000</td>
<td>EUR 125000</td>
<td>EUR 225000</td>
<td>NO</td>
</tr>
<tr>
<td>3</td>
<td>EUR 200000</td>
<td>EUR 100000</td>
<td>EUR 325000</td>
<td>NO</td>
</tr>
</tbody>
</table>

No need for a certificate for the EUR 650,000 because EC contribution = EUR 325,000 < EUR 375,000.
Question 4

For project with duration of two years

<table>
<thead>
<tr>
<th>Claim No.</th>
<th>Eligible Costs</th>
<th>EC contribution @50%</th>
<th>Cumulative amount for which a CFS has not been submitted</th>
<th>Need of CFS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (12 months)</td>
<td>EUR 800,000</td>
<td>EUR 400,000</td>
<td>EUR 400,000</td>
<td>NO</td>
</tr>
<tr>
<td>2 (final)</td>
<td>EUR 410,000</td>
<td>EUR 205,000</td>
<td>EUR 605,000</td>
<td>YES</td>
</tr>
</tbody>
</table>

(1) The cumulative amount is above the EUR 375,000 threshold. However, as project duration ≤2 years, certificate to be provided only at the end of the project.

(2) This CFS has to cover all eligible costs (EUR 1,210,000)
Question 5

Does the simplified method need to be certified by the Commission?

NO

The simplified method does not require previous registration or certification by the Commission. Consequently, there is no specific certification of the simplified method used by a beneficiary. The beneficiary has the responsibility to ensure that the simplified method used is compliant with the requirements.
An organisation is working on three projects and has identified EUR 10,000 as eligible overall overheads. The organisation uses a simplified method to divide the overheads between the projects.

Allocation via hourly rate

Overheads of the organisation: 10,000 euro
Worked hours at the level of the legal entity: 2,000

Hourly rate: \[ \frac{10,000}{2,000} = 5 \text{ EUR} / \text{hour} \]

- Project 1: 600 worked hours \[ \Rightarrow 600 \times 5 = 3,000 \text{ indirect costs} \]
- Project 2: 400 worked hours \[ \Rightarrow 400 \times 5 = 2,000 \text{ indirect costs} \]
- Project 3: 1,000 worked hours \[ \Rightarrow 1,000 \times 5 = 5,000 \text{ indirect costs} \]
Question 7

An organisation is working on three projects and has identified EUR 10,000 as eligible overall overheads. The organisation uses a simplified method to divide the overheads between the projects.

**Allocation via percentage of personnel cost**

Overheads of the organisation: 10,000 euro

*Personnel cost at the level of the legal entity:* EUR 100,000

**Rate:** \( \frac{10,000}{100,000} = 0,1 \) (10%)

- **Project 1:** personnel cost = 30,000  \( \Rightarrow 30,000 \times 0,1 = 3,000 \) indirect costs
- **Project 2:** personnel cost = 20,000  \( \Rightarrow 20,000 \times 0,1 = 2,000 \) indirect costs
- **Project 3:** personnel cost = 50,000  \( \Rightarrow 50,000 \times 0,1 = 5,000 \) indirect costs
Question 8

Which of the following costs are considered receipts?

1. National grant to the beneficiary for the work in the project
2. Support from industrial sponsor for the work in the project
3. Fees charged to participants in a seminar at the end of the project
4. An expert from the ministry allocated to work (not in a specific project) free-of-charge 2 days per week
5. National matching funds not related to a specific project
Question 9

if a legal entity acquires the status of an SME during the life of a project what flat rate should they use?

The flat rate they were using at the beginning of the project

20% flat rate

Real indirect cost

Transitional Flat rate of 60%
The newly created Greek Ministry of Environment provides an environmental expert to the Macedonia University of Thessaloniki. The salaries of the expert are paid by the government. Which expressions are correct

The expert is considered own resource of the University and thus can be charged to different FP7 projects

The salaries of the expert are not considered as receipt

The beneficiary cannot charge overheads because he doesn’t pay salaries for the expert

There is no need to charge the cost of the expert in FORM C since the university does not pay his salaries
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Thank you very much for your attention!