



Science and Technology - Europe Africa Project

The European Union's Seventh Framework Programme

FP7 Financial Guidelines

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FP7 Financial Issues: South Africa





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FP7 budget

- The world's largest civil R&D fund
- Budget of +€50 billion over 7 years (from 2007 – 2013)
- Equivalent to 5% of the EU's public (civilian) research budget
- Approximately €7 billion funding per year
- 39 countries contribute funding to the program (based on Gross Domestic Product)
- Funding from the program to countries independent of contribution – based on excellence (competitive)



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FP7 budget - split

I. Cooperation – Collaborative research (top down) €32 billion

- Health
- Information and Communication Technologies (ICT)
- Nanosciences, Nanotechnologies, Materials and new Production Technologies
- Energy
- Socio-economic Sciences and the Humanities
- Food, Agriculture and Biotechnology
- Environment (including Climate change)
- Transport
- Security and Space Research

II. Ideas – Frontier Research (bottom up) €7.3 billion

III. People - Mobility (Marie Curie) €4.7 billion

IV. Capacities €4.2 billion

- Support of existing research infrastructure
- Research for and by SMEs
- Research Potential
- Specific activities of International Co-operation
- New infrastructure
- Regions of knowledge
- Science in Society





Funding schemes

“Types of Projects” or “Instruments”

1. Collaborative Projects (CP)

- Small or medium-scale focused research actions (STREP)
- Large-scale integrating projects (IP)

2. Networks of Excellence (NoE)

- Network of Excellence – (NoE)

3. Coordination and Support Actions

- Coordination action (CA)
- Support action (SA)



Funding schemes

Collaborative Projects (CP)

I. Small or medium-scale focused research actions (STREP)

- Well defined on single focused issue (“Project” approach)
- Mainly mono-disciplinary (single component)
- 1-4 MEuro (average €2 m)
- 5 -10 Partners
- 2-3 years

II. Large-scale integrating projects (IP)

- Ambitious objective-driven research via “Program Approach”
- Generally multi-component and multidisciplinary (addressing multiple issues)
- 4-25 MEuro (average €10 m)
- 10-20 Partners
- 3-5 years



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Funding schemes

Networks of Excellence (NoE)

- Support the long-term durable integration of research resources and capacities
- Implemented through Joint Programme of Activities
- Research organisations
- 3-7 research organisations
 - Experience under FP6: 6-12 partners
- 4-5 years duration
 - Experience under FP6: EU contribution of €4-€10 m (average €5m)



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Funding schemes

Coordination and Support Actions (CSA)

I. Coordination Action (CA)

- Focused on coordination of research or creation of a network between other research actions for a specific purpose
- CAs have fixed overall work plan, partnership and deliverables
- Size of consortium appropriate to coordination activities

Minimum 3 independent legal entities from 3 different EU Countries

Experience under FP6: 13 -26 partners

- 1-2 years duration

Experience under FP6: EU contribution €0.5 - €2 m (average €1 m)





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Funding schemes

Coordination and Support Actions (CSA) *Cont.*

I. Support Action (SA)

- Designed to
 - underpin the implementation of the Program & complement the other FP7 funding schemes
 - help in preparations for future Community research and technological development policy activities and
 - stimulate, encourage and facilitate the participation of SMEs, civil society organisations, small research teams, newly developed and remote research centres, as well as setting up research clusters across Europe
 - Cover one off events or single purpose activities
- No minimum number of participants
 - Experience under FP6 : 1 -15 partners
- 1-3 years duration
 - Experience under FP6: EU contribution €0.3 - €3 m (average €0.5 m)





Maximum grant

- The maximum grant is based on an estimation of eligible costs prepared by the consortium partners
- You will get reimbursed for eligible costs BUT you must co-finance a portion of the costs
- The amount you must co-finance depends on the **type of organisation** to which you belong and **the activity** being funded
- What you actually spend is taken into account to determine the final financial contribution by the EC



Types of organisation

- **Public body:** legal entity established as such by national law, and international organisations
- **Research organisation:** legal entity established as a non profit organisation which carries out research or technological development as one of its main objectives
- **Secondary and higher education establishments** includes universities, schools for applied sciences and similar
- **SMEs:** small and medium-sized enterprises as defined in Europe:
 - fewer than 250 employees,
 - annual turnover not exceeding €50 million, and/or
 - annual balance-sheet total not exceeding €43 million



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Main activities that can be charged

- Research and technological activities
- Demonstration
- Coordination (only for CAs)
- Support (only for SAs)
- Other Activities



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RTD activities: maximum funding rates

- Public bodies: up to 75%
- Secondary and higher education establishments: up to 75%
- Research organisations (non-profit): up to 75%
- SMEs: up to 75%
- Large Organisations (all Others): up to 50%

NB: of eligible costs





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Other activities: maximum funding rates

- Demonstration activities: up to 50%
- Management: up to 100%
- Frontier research actions: up to 100%
- Coordination and support actions: up to 100%
- Training and career development of researchers: up to 100%
- Dissemination: up to 100%

NB: of eligible costs



Eligible costs

- **ACTUAL, ECONOMIC, USED SOLELY TO ACHIEVE PROJECT OBJECTIVES**
 - Must actually be incurred
 - Must be incurred during the project
 - Must be determined according to your organisation's usual accounting and management principles/practices
 - Must be recorded in accounts

AUDIT TRAIL



Non-eligible costs

- Identifiable indirect taxes including VAT
- Duties
- Interest owed
- Provisions for possible future losses or charges
- Exchange losses, cost related to return on capital
- Costs declared or incurred, or reimbursed in respect of another project
- Debt and debt service charges, excessive or reckless expenditure



Preparing a budget

- **Total project budget = Eligible direct costs**
+
Indirect costs
- **Eligible direct costs**
 - Personnel costs
 - Subcontracting costs
 - Other direct costs
 - capital equipment
 - travel and subsistence
 - Consumables
 - audit certificate
 - IP protection, etc



Personnel costs

- WILL REQUIRE A TIMESHEET “SYSTEM”!
- Permanent and temporary employees at TOTAL COST OF EMPLOYMENT, not just salary; must be paid in accordance with the normal practices of the organisation
- Can use average personnel costs only when CoM approved
- Must work under sole technical supervision and responsibility of the organisation
- If you normally consider certain costs as overheads (e.g. HR support staff) then their costs cannot be included as direct costs
- Public officials paid directly from government are also eligible



Employment and personnel issues

- Employment contract
- Time sheets
- Hourly cost and person months
- Maximum “productive” hours / year
- Employer costs
- Benefits as part of package
- Absences – vacation, family responsibility, sick, maternity / paternity leave etc.
- Replacement staff
- Overtime
- Benefits – staff bursaries, cellphone allowance etc.
- Short term service contracts
- Secondments – prior agreement & identified in Annex 1
 - NB to differentiate between making resources available and carrying out part of work (subcontracting)



Subcontracting

- Beneficiaries shall implement the indirect action and shall have the necessary resources to that end
- Specialised jobs that it cannot carry out itself or because it is more efficient to use the services of a specialised organisation
- Agreement based on "business conditions"
- Works without the direct supervision of the beneficiary and is not hierarchically subordinate to the beneficiary
- Interest in the project is only the profit that the commercial transaction will bring
- No IPR rights on the foreground of the project
- Responsibility for the work subcontracted lies fully with the beneficiary
- **Subcontracting between beneficiaries in the same GA is not to be accepted**
- **Does not concern the research work itself**, but tasks or activities needed in order to carry out the research, auxiliary to the main objective of the project
- Work (the tasks) to be performed by a subcontractor **has to be identified in Annex I to the GA**
 - identity of the subcontractors does not need to be indicated
 - description of the tasks to be subcontracted should include a financial estimation of the cost
- Best value for money (best price-quality ratio), under conditions of transparency and equal treatment
- Framework contracts with a third party for routine or repetitive tasks – prior arrangement
- Minor tasks / services are not project tasks identified as such in the Annex I - needed for implementation of the project



Other costs

Can include

- Consortium management
 - Maintenance of consortium agreement
 - Legal, ethical, financial management
 - Certificates: costs incurred for the certificates on the financial statements and certificates on the methodology constitute eligible direct costs and are charged under management costs which are part of "Other activities".
 - Financial audits and technical reviews
 - Competitive calls (permitted & foreseen)
- Training activities, excluding trainees (permitted & foreseen)
- Networking & dissemination, including publication
- IPR protection



Indirect costs

- Determined according to the information you have from your accounting system:
 - Actual indirect costs:
 - If your accounting system allows you to determine your actual indirect costs for the project
 - Simplified actual indirect costs:
 - If your accounting system allows you to determine your indirect costs for the organisation but not for the project
 - Flat rate:
 - If you can't determine your indirect costs from your accounting system then you can use 20% of direct costs less subcontracting costs OR
 - a **transitional flat rate** depending on the activity and type of organisation (see next slide)
- For Coordination and Support Actions, the maximum indirect costs allowed are 7% of direct costs less subcontracting costs

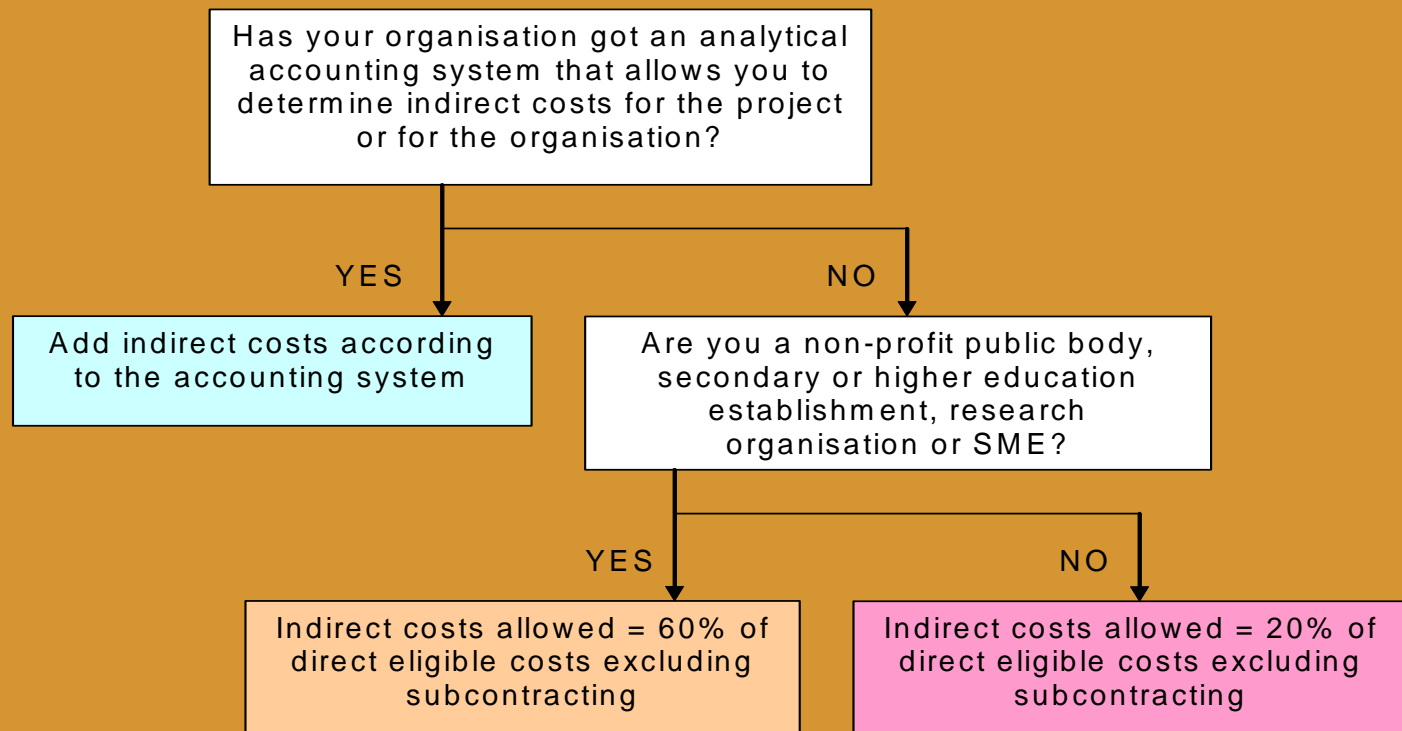


Indirect costs - Transitional flat rate

- Eligible activities:
 - Research and technological development
 - Demonstration
- Eligible types of organisations:
 - Non-profit public bodies
 - Secondary and higher education establishments
 - Research organisations
 - SMEs
- Transitional flat rate applied:
 - 2007 – 2009: 60% of direct costs less subcontracting costs
 - 2010 – 2013: 40% of direct costs less subcontracting costs



Decision tree on indirect costs



For coordination and support actions:

Reimbursement of costs = direct costs + indirect costs (7% of direct eligible costs excl subcontracting)



Exchange rates

- Costs shall be reported in €
- Exchange rate applied either on the basis of:
 - the rate applicable on the first day of the month following the end of the reporting period

OR

 - on the date that the actual costs were incurred
- Based on European Central Bank rates
<http://www.ecb.int/stats/eurofxref/>



Certificate on the Methodology

CoM

- Certificate on methodology used to calculate the **average personnel costs** and **indirect costs**
- Methodology must be consistent with the beneficiary's management principles and usual accounting practices
- Averages calculated according to the certified and accepted methodology must be deemed not to differ significantly from actual personnel costs



Certificate of Financial Statement

CFS

- Completed by an external auditor selected by the beneficiary
- Contain a number of questions (controls) which the auditor is asked to answer (check) in verifying the beneficiary accounting and control system or document in relation of the execution of the project.
- CFS use a standard format which is annexed to the grant agreement (Annex VII). The use of this format is mandatory.
- CFS are only **required** with the cumulated Community financial **contribution** (not costs!) **requested exceeds €375,000**
 - if the amount requested by a beneficiary is inferior to 375,000 for the first period, CFS not required.
 - CFS must be submitted as soon as the cumulated requested funding for all former periods (not covered by any CFS) exceeds €375,000.
 - If the total funding received for a project by a beneficiary is below €375,000, a CFS is not required for the project.
- the WEB tool will indicate if a CFS is required for a particular period



Eligible auditors

- Beneficiaries are free to choose an external auditor, but must be:
 - Independent
 - Qualified
- Public bodies, secondary and higher education establishments and research organisations may opt for a Competent Public Officer instead of an external auditor
- The submission of a certificate does not waive the right of the Commission to carry out its own audits



Disbursements

- One pre-financing (upfront) payment, typically 160% of average yearly budget (or budget for 1st year)
- Followed by Interim Payments based on financial statements
- 10% of amount payable is retained until the project is signed off



Guarantee fund

- No collective financial responsibility
- 5% of total project budget set aside at start of project (guarantee fund)
- Reimbursement (of guarantee fund and 10% retention) on project completion and finalisation (final payment – 105 days)



Contractual aspects

- Grant agreement
 - Signed between beneficiaries and EC
 - Establishes rights and responsibilities of the beneficiaries to each other and to the EC
 - Consists of core grant agreement and annexures including Annex 1 (Description of Work)
- Consortium agreement
 - Signed between beneficiaries
 - Implements the grant agreement, establishes provisions related to consortium management, distribution of the Community financial contribution and IP
 - Mandatory unless otherwise specified in Call for Proposals
- It is important to make sure that the grant agreement and the consortium agreement talk to each other, particularly in relation to IP sharing
- Note that there exists *“Technical collective responsibility”*



Consortium agreement

- A CA is **required for all projects** financed unless otherwise stipulated in the call for proposals
- EC is not a party to any CA and does not establish the terms and conditions of the CA
- Provisions of a CA should not affect the participants' obligations to the Community and/or to each other arising from the Rules for Participation and the Grant Agreement
- Checklist
- Model consortium agreements



Exchange of information

- Beneficiaries exchange information and know-how (software, patents, work methods, etc.) in order to
 - Benefit from each other's resources
 - Carry out tasks
 - Carry out exploitation efforts
- Each beneficiary has the right to request access rights to the other beneficiaries' background and foreground, as long as it needs them in order to carry out its work under the project or to use its own foreground:
 - “Background” is project-related information and IP rights beneficiaries hold before entering the project
 - “Foreground” is the information and IP rights that beneficiaries generate within the project, the results of the project



Ownership of foreground

- Each beneficiary is owner of the foreground it generates.
 - Contractual relationships with its personnel and third parties must guarantee its ownership of foreground
 - Must enable it to comply with its obligations under the grant agreement and the consortium agreement.
- If foreground is generated by common efforts and it is not possible to distinguish individual contributions
 - The contributors will have joint ownership of the foreground
 - A joint ownership agreement will be signed to define the shares and the management of the joint ownership
- If there is no such agreement, the default joint ownership allows:
 - Each joint owner to grant non-exclusive licences to third parties
 - Provided that it notifies the other joint owners and grants them fair and reasonable compensation



Foreground

- Beneficiaries obligations regarding foreground are to
 - protect it if appropriate
 - use it in further research or commercial activities
 - disseminate it to the relevant public or the public in general
- Use of foreground:
 - Beneficiaries may use the foreground themselves or grant licences to third parties:
 - Access rights of the other beneficiaries must be maintained
 - An exclusive licence to background or foreground can only be given with written permission from the other beneficiaries
 - The EC may object to the granting of an exclusive licence to foreground in a third country for ethical principles or security considerations.



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THANK YOU!

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