



Directorate-General
for Energy
and Transport

● CONCERTO Information Day FP7 – TREN ENERGY 2nd call

FP7 Financial and contractual aspects



EUROPEAN
COMMISSION

Financial & Contractual Section

07/04/2008



Overview

- **Structure of the FP7 GA**
- Contractual obligations
- Eligible costs
 - » Direct costs
 - Personnel costs
 - Third parties (incl. Subcontracting)
 - » Indirect costs
- Not eligible costs
- Upper funding limits
- Payment modalities
- Receipts of the project
- Certificates

● Structure of the Grant Agreement

- Core part: GA terms
- Annex I: DoW
- Annex II: General Conditions
- Annex III: Not Applicable
- Annex IV, V & VI: Forms A,B & C
- Annex VII:
 - » Form D :terms of reference for the certificate of costs
 - » Form E: certificate on the methodology **(NEW)**

NB: Consortium agreement: mandatory for CP

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● Contractual obligations

- Specific obligations of the coordinator (Art II.2.3)
- General obligation for all the beneficiaries (Art II.3) :
 - » carry out the work to be performed, as identified in Annex I (DoW), and in accordance with the specifications of the GA and its annexes
=> *Technical collective responsibility*
 - »

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● Eligible Costs (1)

Art. II.14.1 of GA

● Eligibility criteria:

- » **Actual** (except for certified average personnel costs)
- » **Incurred by beneficiary** (or third parties) **during** the **project** period (up to 60 days after end date for final reports)
- » Based on **usual accounting** and management principles
- » **Recorded** in the accounts of beneficiary (or third parties)
- » Used for the sole purpose of **achieving the objectives** of the project in **economic, efficient** and **effective** manner
- » Indicated in estimated budget of **Annex I**

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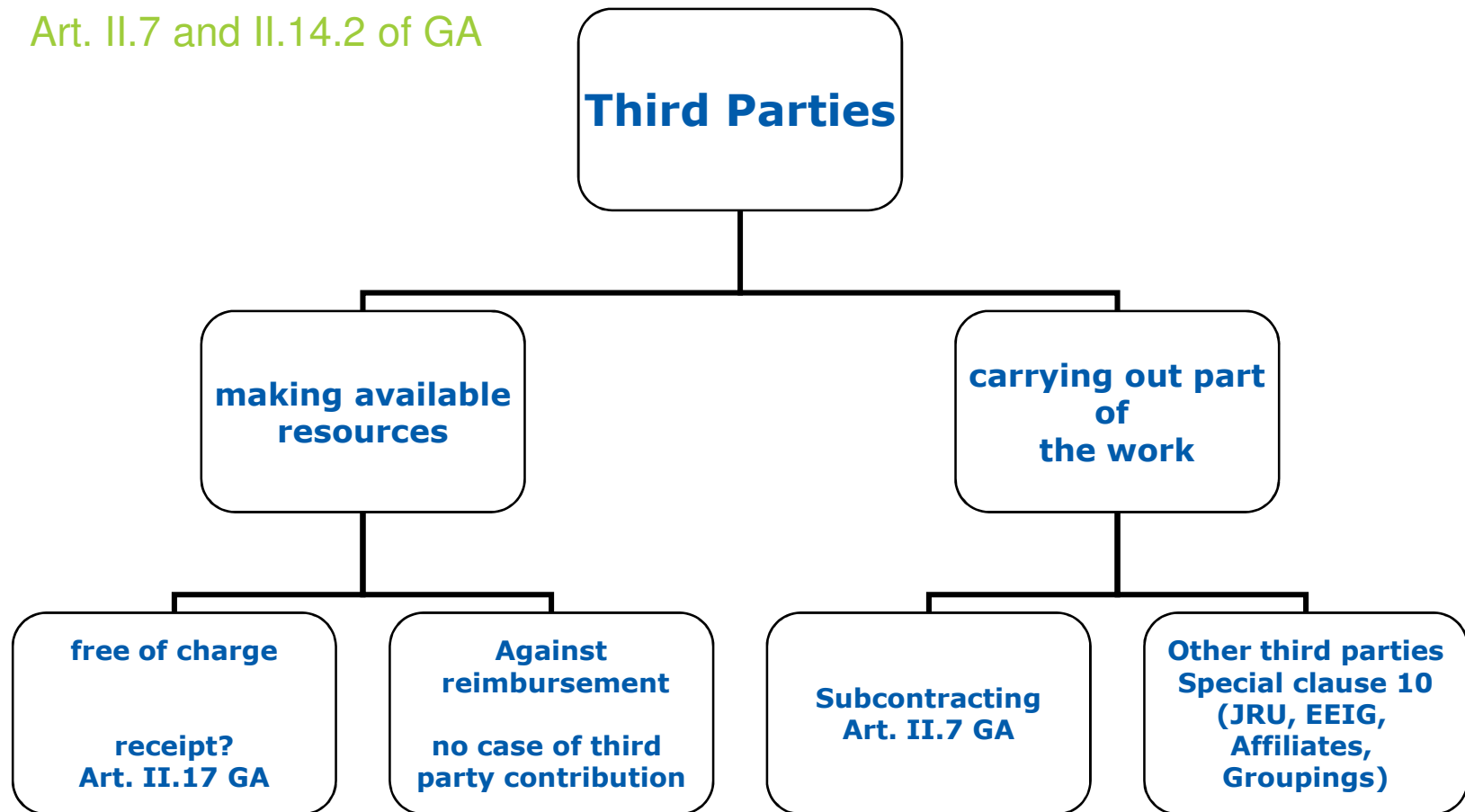
● Direct eligible costs (1)

(examples & rules in Guide to Financial Issues on Cordis
http://cordis.europa.eu/fp7/home_en.html)

- Cost of **personnel** assigned to the project
 - » Average personnel costs under certain conditions
 - » Total personnel direct costs declared =
Nr of productive hours worked by researchers on the project x
Hourly personnel rate
- **Travel & subsistence** allowances for staff working on the project
- Purchase cost of **durable equipment**
- Costs of **consumables & supplies** (if identifiable and assigned to the project)
- **Certificates** on the methodology and on the financial statements
- **Subcontracting**

● Direct eligible costs (2): Third Parties

Art. II.7 and II.14.2 of GA



● Eligible eligible costs (3): Third Parties

Art. II.7 and II.14.2 of GA

a) Third parties carrying out part of the work

- Subcontracts:
 - » May only cover a limited part of the project
 - » A justification is required
 - » Tasks and estimation of costs indicated in Annex I
 - » Awarded according to best value for money, transparency and equal treatment
 - » External support services may be used for assistance in minor tasks (need not to be indicated in Annex I)
 - » **No subcontracting between participants**
- Specific cases for EEIG, JRU, affiliates: special clause 10

● Eligible eligible costs (4): Third Parties

Art. II.7 and II.14.2 of GA

b) Third parties making available resources

- Free of charge
 - » Declared as a cost by the beneficiary in its Form C
 - » Not considered as a receipt if their use is at the discretion of the beneficiary (Art II. 17 of GA)
- Beneficiary reimburses the third party (based on a prior agreement) => eligible cost

Details and the reasons to be indicated in Annex I

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● Eligible indirect costs

No more cost reporting model

- For all:
 - » Actual overhead
 - NB: simplified method can be used if
 - based on actual costs from the last closed accounting year
 - follows the usual accounting principles and practices
 - direct ineligible costs (VAT, etc...) can be identified and excluded
 - at least allows for the allocation of the overheads at the level of the legal entity to the individual projects by using a fair "driver"It does not require previous registration or certification by the Commission
 - » Or flat rate of 20% of direct eligible costs minus subcontracting and costs of resources from 3rd parties not used on the premises of the beneficiary
- Flat rate of 60% (only for funding schemes with RTD)
Non-profit public bodies, secondary and higher education establishments, research organisations and SMEs unable to identify real indirect costs
- For CSA: max. reimbursement of 7% of direct eligible costs minus subcontracting and costs of resources from 3rd parties not used on the premises of the beneficiary.

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Non-eligible costs

Art. II.14.3 of GA

- identifiable indirect taxes including VAT
- duties,
- interest owed
- provisions for possible future losses
- exchange losses
- costs declared, incurred or reimbursed in respect of another Community project
- debt or debt service charges, excessive or reckless expenditure

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● Upper funding limits: principles of co-financing and no profit (Art. 16 of GA)

Maximum reimbursement rates of eligible costs	Research and technological development activities (*)	Demonstration activities	Management of the consortium activities	Other activities (**)
Network of excellence	50% 75% (***)		100%	100%
Collaborative project(****)	50% 75% (***)	50%	100%	100%
Coordination and support action			100% (****)	100% (****)

(*) Research and technological development includes scientific coordination.

(**) Other activities means any "specific activity" covered by Annex I.

(***) For *beneficiaries* that are *non-profit public bodies*, secondary and higher education establishments, *research organisations* and *SMEs*

(****) The reimbursement of indirect eligible costs, in the case of coordination and support actions, may reach a maximum 7% of the direct eligible costs, excluding the direct eligible costs for subcontracting and the costs of reimbursement of resources made available by third parties which are not used on the premises of the *beneficiary*.

(*****) Including research for the benefit of specific groups (in particular SMEs)

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● Payment modalities

Art. II.6 of GA

● A single pre-financing

	Duration of projects			
	=< 30 months	31-42 months	43-54 months	>= 54 months
Reporting periods related to the payments	2 (1 interim and final)	3 (2 interim and final)	4 (3 interim and final)	5 (4 interims and final)
Level of pre-financing in % (including 5% to the Guarantee Fund)	80%	55%	40%	35%

- » At the start of the project, within 45 days of the entry into force of the GA
- » Will remain the property of the Communities until the final payment
- » 5% transferred by the EC to **Guarantee Fund**

● Payment modalities (2)

- Interim payments
 - » based on financial statements (EC contribution = amounts justified & accepted x funding rate)
 - » The total amount of interim payments + pre-financing will be limited to 90% of the maximum EC contribution
- Final settlement
- The total payment is limited to the maximum EC contribution as defined in Article 5 of GA.

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● Receipts of the project

Art. II.17 of GA

- Types of receipts:
 1. Financial transfers from third parties
 2. Contributions in kind from third parties
 3. Income generated by the project
- Receipts must be declared in financial statements (Form C)
- Receipts taken into account at the moment of the final payment.
- No reduction of EC contribution if:
Total EC contribution + receipts \leq total eligible costs
- Remark: **interest generated by the pre-financing**
 - » Must be declared by the coordinator (Form C point 3)
 - » Will be offset against the subsequent payment.

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● Certification (1)

Art. II.4.4 of GA

- **2 types of certificates:** report of factual findings on
 - » expenditure verification
 - certificate on financial statements (Annex VII - Form D)
 - » system verification:
 - certificate on the methodology (Annex VII - Form E)
 - certificate on average personnel costs (Annex VII- relevant part of Form E)
- **Who can provide these certificates ?**
 - » Qualified auditors under the 8th Directive
 - » Independent
 - » Public bodies, secondary / higher education establishments and research organisations may opt for a competent public officer
- The submission of such certificates does not waive the right of the EC to carry out an audit (Art II.22 of GA)

● Certification (2)

Art. II.4.4 of GA

a) Certificate on financial statements (CFS)

Annex VII- Form D

- » Must certify all eligible costs *
- » Mandatory for each beneficiary claiming an EC contribution $\geq 375K$ EUR (when cumulated with all previous payments for with no CFS)
- » For project ≤ 2 years: 1 CFS at the end

* derogation if a certificate on the methodology is accepted by the EC

● Certification (3)

b) Certificate on the methodology (NEW)

Annex VII- Form E

- » Optional and only for beneficiaries with min. 8 FP6 contracts with an EC contribution for each of them \geq 375K EUR
- » Must be approved by the EC (valid throughout FP7)
- » **When:** at any time but at the earliest on the start date of the first GA signed by the beneficiary under FP7
- » **Purpose:** to certify the methodology of calculating personnel and indirect costs
- » **Consequences:**
 - No intermediate CFS (from the date of acceptance)
 - 1 CFS at the end (if cumulated claimed EC contribution \geq 375K EUR), but simplified for personnel and indirect costs

● Certification (4)

c) Certificate on average personnel costs (NEW)

Annex VII- relevant part of Form E

- » Mandatory if average personnel costs are declared (deemed not to differ significantly from actual costs)
- » Submission at any time but at the earliest on the start date of the first GA signed by the beneficiary under FP7
- » Must be approved by the EC (valid throughout FP7)
- » Methodology must be consistent with the beneficiary's management principles and usual accounting practices
- » It does not waive the obligation to provide an intermediate CFS (whenever the 375K EUR threshold is reached)