

The European Union's Seventh Framework Programme

Overview of FP7 Financial and Legal Rules of Participation

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FP7 Financial Issues

- FP7 is the world's largest civil (public) R&D fund
- Budget of approximately €50 billion over 7 years (from 2007 – 2013)
- Approximately €7 billion funding per year
- Equivalent to 5% of the EU's public research budget
- Approximately 39 countries contribute funding to the program
- Funding of programme from countries is based on Gross Domestic Product (GDP)
- Funding from the programme to countries is independent of contribution – based on excellence (competitive)

- **EU-27 Member States**

Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxemburg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom

- **Associate Countries**

Switzerland; Israel; Norway, Iceland; Liechtenstein; Turkey, Croatia, the Former Yugoslav Republic of Macedonia and Serbia; Albania; Montenegro; Bosnia & Herzegovina; Faroe Islands



Cooperation

32 413 M€

Trans-national cooperation in 10 research themes through consortia (Collaborative research – “top down”)



Ideas

7 510 M€

Investigator-driven “**frontier research**” (“bottom up”), supported by an autonomous **European Research Council (ERC)**



People

4 750 M€

Training, mobility, career development of researchers, (“**Marie Curie**” actions) - incl. **International grants**



Capacities

4 097 M€

Research infrastructures; research specific for **SMEs;** regional research driven **clusters; etc.**

| Thematic Areas | | Budget (€ million) |
|----------------|---|--------------------|
| 1. | Health | 6.1 |
| 2. | Food, agriculture and biotechnology | 1.9 |
| 3. | Information and communication technologies | 9.1 |
| 4. | Nanosciences, nanotechnologies, materials and new production technologies | 3.5 |
| 5. | Energy | 2.3 |
| 6. | Environment (including climate change) | 1.9 |
| 7. | Transport (including aeronautics) | 4.2 |
| 8. | Socio-economic sciences and the humanities | 0.6 |
| 9. | Space and | |
| 10. | Security | 2.8 |

Eligibility for Funding:

- Legal entities from Member State and Associated Country or created under EU Community law (and the JRC)
- International European interest organisations
- Legal entities established in International Cooperation Partner Countries (ICPC-INCO)

and

- Legal entities established in 3rd countries other than ICPC-INCO, if provided for in SP or WP; or if essential for carrying out action; or if provision for funding is provided for in a bilateral agreement between Community and that country

Geographical spread for consortia

The minimum consortia structure is dictated by each Call but in general there is a requirement for participation of the following:

- Three independent legal entities from three different EU Member States (MS) or Associated countries (AC)
- International (intergovernmental) organisations can participate
- Participants from Third Countries & International Cooperation Partner Countries (ICPC) if in addition to minima
- Collaborative projects for Specific Cooperation Actions (SICA) dedicated to international cooperation partner countries (ICPC): minimum 4 participants of which 2 in different MS or AC and 2 in different ICPC countries unless otherwise specified
- Support actions; no specific restrictions

FP7 funding schemes

Collaborative projects (CP)

Small or medium scale focused research actions

Large-scale integrating projects

Support to research projects carried out by consortia with participants from different countries, aiming at **developing new knowledge, new technology, products, demonstration activities or common resources for research**. The size, scope and internal organisation of projects can vary from field to field and from topic to topic.

Networks of Excellence (NoE)

Support to a Joint Programme of Activities implemented by a number of research organisations **integrating their activities in a given field**, carried out by research teams in the framework of longer term co-operation

Coordination and Support actions (CSA)

Support to activities aimed at **coordinating or supporting research activities and policies** (networking, exchanges, trans-national access to research infrastructures, studies, conferences, etc)

- 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

R&D activities: funding rates

- Public bodies (non-profit): up to 75%
- Secondary and higher education establishments: up to 75%
- Research organisations (non-profit): up to 75%
- SMEs: up to 75%
- Otherwise up to 50% of eligible costs

Other activities: 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%

- **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)

- ACTUAL, ECONOMIC, USED SOLELY TO ACHIEVE PROJECT OBJECTIVES
 - Must actually be incurred
 - Must be incurred during the project
 - Must be determined according to 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

- REQUIRES 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

- 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

- A subcontractor is a type of third party, i.e. a legal entity which is not a beneficiary of the ECGA,
- Third Parties
 - **making available its resources to a beneficiary (in order for the beneficiary to be able to carry out part of the work)**
 - **by carrying out part of the work itself**
 - costs incurred by third parties may be eligible under certain conditions
 - must be identified during the negotiations and mentioned in Annex I to ECGA
 - **the beneficiary retains sole responsibility for the work**

- 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 (60%)

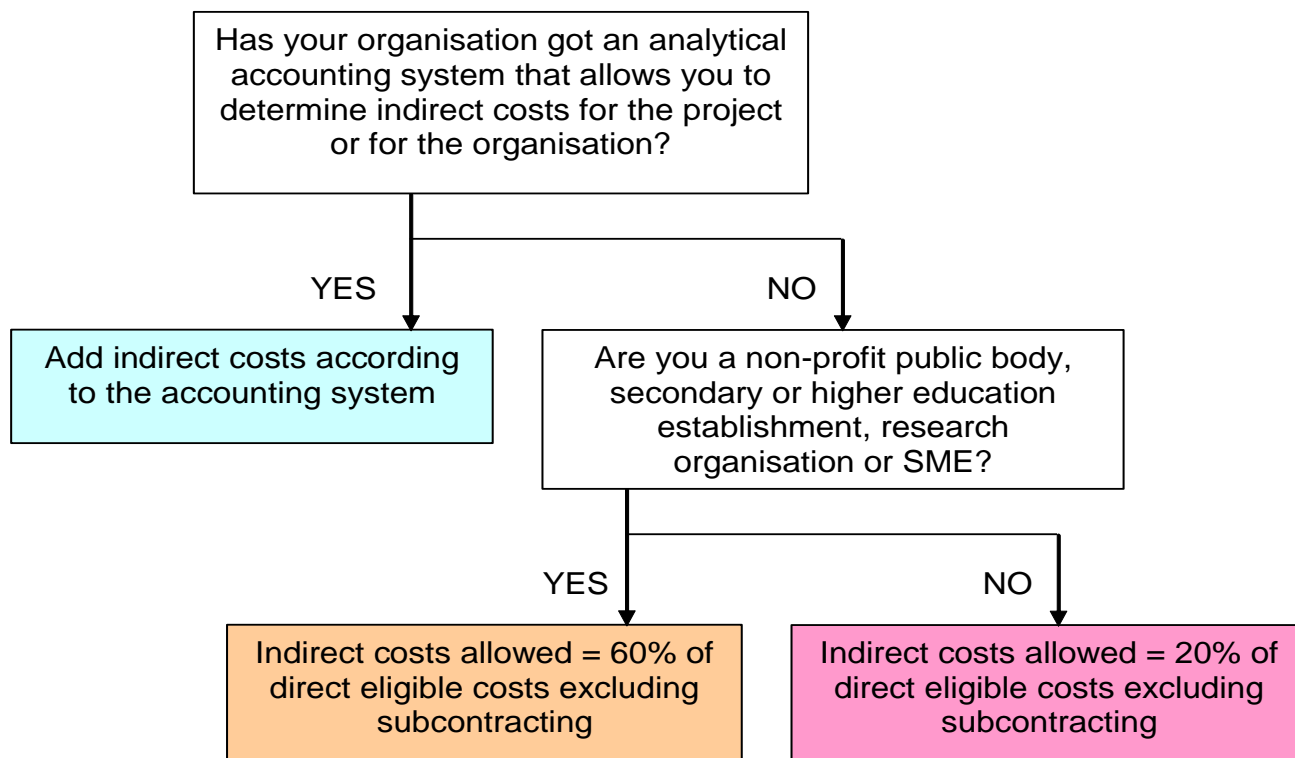
Indirect costs – Transitional flat rate

- 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:
 - 60% of direct costs less subcontracting costs

Indirect costs: IPR - PFRD Act

- Indirect costs based on organisational model submitted to NIPMO???
- (For those organisations that are eligible) For research activities use transitional flat rate for budgeting purposes, unless organisational rate is higher than 60%

Decision tree on indirect costs



**For coordination and support actions:
Reimbursement of costs = direct costs + indirect costs (7% of direct eligible costs excl subcontracting)**

Welcome to IPR-Helpdesk



www.ipr-helpdesk.org

- 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*”

- Core grant agreement
- Annex I - Description of Work
- Annex II - General conditions
- Annex III - [Specific provisions related to [this funding scheme or activity]
- Annex IV - Form A – Accession of *beneficiaries* to the *grant agreement*
- Annex V - Form B – Request for accession of a new *beneficiary* to the *grant agreement*
- Annex VI - Form C – Financial statement per funding scheme as published in
- Annex VII - Form D – Terms of reference for the certificate on the financial statements and Form E - Terms of reference for the certificate on the methodology

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

- Only legal entities can enter into grant agreements
- Legal entities validated on system and allocated a **PIC** (Participant Identification Code) – unique identifier / organisation
- a single point of contact responsible for maintaining legal entity information – Legal Entity Authorised Representative (**LEAR**)

- Project passes hurdles and selected for negotiation!
- Letter of invitation to negotiations (includes evaluation summary report)
- Negotiation mandate given
 - Changes to be made based on ESR
 - Maximum EC contribution
 - Project duration
 - Deadlines (usually non-negotiable)
 - 1st draft Description of Work (modified proposal)
 - Grant Preparation Forms (GPFs)
 - Negotiation completion (Technical and Legal/Financial)
- Coordinator negotiates with EC, we negotiate with consortium

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

- Beneficiaries have the right to define the background that will be made available to the project
 - Have right to exclude specific background from their obligation to grant access rights
 - All agreements on the identification/exclusion of background are made in writing, usually in the consortium agreement

