



Guide on Financial Issues : Main changes From FP6 to FP7

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- **Financial provisions in FP7**
 - Payment modalities
 - Eligible costs
 - Indirect costs
 - Certificates
 - Third parties
 - Upper funding limits
 - No financial collective responsibility
 - Guarantee Fund



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1. Payment modalities (1)

- Only One **pre-financing** (upon entry into force) for the whole duration. The pre-financing will include the amount to be transferred to the Guarantee fund)
- **Interim payments** based on financial statements (EC contribution = amounts justified & accepted * funding rate)
- Retention (10%)
- **Final payment**



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1. Payment modalities (2)

EXAMPLE: Project duration 3 years, EU funding 3 Mio€

- **Pre-financing** (average EU funding 1M/year, usually 160%) = 1.6 Mio€
1st Interim payment 1Mio€ accepted, payment 1Mio€
- **2nd Interim payment** 1Mio€ accepted, payment 0,1Mio€ (retention 10%!)
- **Final payment** 0,3Mio€ (retention 10%)



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Payment Modalities (3): lump-sums

- Lump-sums foreseen as an option for participants from ICPC via a Commission Decision
- The contribution for the ICPC participants is agreed as a budget during the negotiations, based on the lump sums approved by a Commission adopted recently (04/06/2007)
- Their work is defined in Annex 1 together with the other participants. Payments are reported based on actual effort involved.
- Payments are released based on periodic reporting (as for all participants) but ICPC beneficiaries only have to report on the time devoted to the project and not on the costs incurred.
- Lump-sums for NOEs: only if work programme and specific call foresee it



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2. Eligible Costs (1)

– Eligible

- actual*
- during duration of project
- in accordance with its 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...)



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2. Eligible Costs (2)

New in FP7:

*Average personnel costs accepted if :

- Consistent with the management principles and accounting practices of beneficiary
- they do not significantly differ from actual personnel costs= if identified according to a methodology approved by the Commission (NEW)



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Eligible Costs (3) :

NEW IN FP7

- **Under FP7, there are no cost reporting models. FC, FCF and AC Models disappear**
- **Consequently, all costs of personnel working on a project may be eligible (no more difference between additional staff and permanent staff) if they fulfil the conditions of the Grant Agreement (art. II.14)**



Eligible Costs (4): Indirect Costs

For all beneficiaries:

- either actual overhead or simplified method
- flat rate of **20%** of direct costs minus subcontracting and 3rd parties not used on the premises of the beneficiary.
- Non profit Public Bodies, Secondary and Higher Education establishments, Research Organisations and SMEs unable to identify their real indirect costs per project, may apply for a flat rate of **60%** for **funding schemes with RTD**.
- For CSA : reimbursement of indirect eligible costs limited to **7%** of direct costs



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Eligible costs: Indirect costs (5)

*simplified method

- A participant may use a **simplified method** to calculate its indirect costs at the level of the legal entity 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
- Why this new approach?

to introduce a way to facilitate the transition from the Additional Cost model (abolished) towards the declaration of actual indirect costs



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Eligible Costs (6): Indirect Costs

- 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



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3. Certification (1)

Certificate on financial statements (CFS)

- Mandatory for beneficiaries when its requested funding reaches 375,000 Euro (except for project of 2 years or less: CFS submitted at the end)
- If the EC funding for a beneficiary in a project does not reach the threshold, no obligation of CFS (not even at the end)
- If above the threshold, mandatory for every beneficiary, except if a certification on the methodology is provided



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3. Certification (2)

Certificate on the methodology (NEW)

- 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



4. Third parties

Third parties carrying part of the work

- Subcontracts: tasks have to be indicated in Annex I
 - awarded according to best value for money
 - External support services may be used for assistance in minor tasks (not to be indicated in Annex I)
- Specific cases: EEIG, JRU, groupings, affiliates carrying out part of the work (special clause)

Third parties making available resources

- “Third parties”: to be indicated in Annex I,
- Costs may be claimed by the beneficiary
- Resources “free of charge” may be considered as receipts



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5. Upper funding limits (1)

- NEW in FP7: No ceiling of 7% of the EC contribution for management costs; However, all costs have to be economic, efficient, and effective (art. II.14.1.c)
- Reimbursement according to the type of organisation, of action and/or activity



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Upper funding limits (2)

- **Research and technological development activities:** up to **50%** of eligible costs.
However, it can be up to **75%** for:
 - *Non profit* public bodies, secondary and higher education establishments and research organisations, SMEs, and
 - Security related research (in certain cases)
- **Demonstration activities:** up to **50%**
- **Other activities** including management: up to **100%**
- **Frontier research actions:** up to **100 %**
- **Coordination and support actions:** up to 100%
- **Training and career development of researchers actions:** up to 100%



Maximum reimbursement rates of eligible costs	Research and technological development (*)	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 operational activities directly related to the protection of foreground and coordination of research activities.

(**)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.

(****)





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6. No financial collective responsibility

- Replaced by **Guarantee Fund**
- Each beneficiary financial responsibility limited to its own debt
- Amount of 5% of EC contribution
- However, there is “technical responsibility” to carry out the project jointly and severally *vis-à-vis* the Commission.



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7. Guarantee Fund (1)

- Instead: establishment of a **participant's Guarantee Fund** to cover risks
- Amount of 5% of EC contribution paid at the moment of the pre-financing
- At the end of the GA, up to 1% of EC Contribution may be deducted (except for public bodies, education establishments, entities guaranteed by MS or AS)
- Rules on Legal verification & Financial Viability adopted by Commission Decision



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Similarities with FP6 contract: Receipts

At final payment the Community financial contribution will take into account any receipts of the project

For each beneficiary:
the eligible costs \geq Community financial contribution + the receipts for the project



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Similarities with FP6

- Transfer of budget between beneficiaries and categories of costs allowed without amendments if work carried out as foreseen in Annex I
- In case of doubt about the need for an amendment to the GA, check with Commission!



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Similarities with FP6 contract : Sanctions

- Recovery procedures
- **Liquidated damages** (if overstatement)
now the rule: Difference with FP6:
Art.II.24 of GA "In exceptional cases the Commission may refrain from claiming liquidated damages..."
- **Financial penalties** (if false declarations)
Between 2% and 10% of the EC contribution



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- **Thank you for your attention**

Questions?

