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Community research

EUR-ACTIVE ROOFer
General Assembly meeting
10 March 2006

Rights and contractual obligations of the contractors

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SMEs





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- **Some general information**
- **Role of participants and the EC**
- **Reporting**
- **Financial implementation and audit certificates**
- **Support documents**

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SMEs





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Definition

Research carried out by research performers on behalf of industrial associations in order to expand the knowledge base of large communities of SMEs and thus improve their general standard of competitiveness.

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Basic rules of the scheme

- **Costs of RTD Performers amount to at least 40% of the R&I total eligible cost**
- **RTD Performers will receive 100% of their R&I total cost; within a ceiling to be agreed by the consortium**
- **IPR is the joint property of the IAGs**

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Role of participants *Consortium*

- Takes all measures to ensure that the project is carried out
- Informs the EC of any event which may affect project's implementation and of any circumstances affecting:
 - The conditions of participation,
 - The financial regulations,
 - The requirements of the contract.

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Role of participants *Industrial Associations*

- **Dominant role in the project management**
- **Use their network**
- **Take care of links with their SME members**
- **Train their staff and SME members staff on results of the project (according to the training plan)**
- **Disseminate and exploit the results**

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Dissemination and training

TRAINING (100% funding)

- on the results generated within the project
- to SMEs executives and technical staff
- to Industrial Associations' executives
- e.g. hands-on training in a pilot plant

DISSEMINATION (50% funding)

- to large communities of SMEs
- conferences, publications, workshops, web-based activities

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Communication policy

Requirements

- **Use the FP6 SME logo on all publications (use of the EU logo is exceptional!)**
- **EC co-financing should be mentioned**
- **Include contact details of scientific officer on all publications and websites**
- **Leaflets, brochures and websites should be sent to the scientific officer before publication**
- **Refer to and describe the Collective Research scheme, if possible**

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Role of participants *Core Group SME*

- are represented in the **Project/Steering/etc. committee**
- give input to demand
- should have an active role in work packages
- Key role in technical management
- Test, validation and exploitation of results

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Role of participants *RTD Performers*

- **Carry out the research**
- **Report and present results**
- **Close cooperation with Industrial Associations and Core Group SME**
- **Prepare dissemination and training material in collaboration with the IAGs**

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Role of participants *Coordinator*

- **Coordinator: Administrative and financial management**
 - **Intermediary contact with the Commission**
 - **Submits all documents**
 - **Receives all payments and transfers the appropriate amounts to each contractor**
 - **Chairs the Project Steering Committee**
 - **Oversees the project progress**
 - **assures timely delivery and high quality of results**
 - **Reports on use of financial resources and project evolution**
 - **makes, if necessary, suggestions to adapt the project plan**

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Role of the EC

- **Monitors the scientific, technological and financial execution of the project**
- **Carries out review, analysis and approval of project deliverables**
- **Offers assistance**

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Reporting General

- **The duration of the project is divided in 3 reporting periods of one year**

- **Any report must**
 - **be **concise** and **clear****
 - **be organized by work packages and tasks**
 - **identify the contributions from the various participants**
 - **respect the reporting guidelines**
 - **respect the page limit (where applicable)**
 - **be submitted within the contractual delays (45 days)**

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Reporting *Types of reports*

Periodic reports (*within 45 calendar days following the end of each reporting period*)

- periodic activity and management report
- any supplementary reports required by any Annex to the contract (Annex I)
- and if requested audit certificate per contractor

Final reports (*Within 45 calendar days*)

- final activity and management/financial report
- any supplementary reports required by any Annex to the contract (Annex I)
- audit certificate per contractor
- report on distribution of EC contribution between contractors made after the end of the project

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Reporting

Periodic activity report

Containing:

**Publishable executive summary
(not needed for last reporting period)**

- **Section 1 – project objectives and major achievements**
- **Section 2 – work package progress**
- **Section 3 – consortium management**
- **Section 4 – other issues**
- **Annex – plan for using and disseminating knowledge**

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Reporting

Periodic management report

- **Section 1** – Justification of major cost items and resources
- **Section 2** – Financial statements per activity for the contractual reporting period, to be completed by each contractor (form C of the Contract)
 - +
Audit certificates, if required for this period
- **Section 3** – Summary financial report

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Financial implementation

Payment modalities of the EC contribution

- The Community financial contribution is a **maximum** that can never be exceeded
- Community financial contribution is **paid to the consortium through the coordinator**
- System of **periodic pre-financing (advances)** and **periodic payments**
- Payments are based on the **approval of periodic reports and/or reviews**
- and are subject to the submission of **audit certificate(s)**

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Financial implementation *Eligible costs*

➤ Eligible costs :

- must be *actual, economic* and *necessary* for the implementation of the *project*
- must be determined *in accordance with the usual accounting principles*
- must be *incurred during the duration of the project*
- must be recorded in the accounts of the *contractor*
- *non-eligible costs:*
indirect taxes (VAT or duties), interest owed, etc.





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Financial implementation

Pre-financing and payments

- **A first prefinancing equal to 80% of the estimated costs of the first 18 months**
- **Within 45 calendar days following the approval by the Commission of the requested reports and if 70% of the pre-financing for the last period have been spent**
 - ✓ **Payment to settle the amounts justified and accepted**
 - ✓ **an intermediate pre-financing of 80% of the estimated EC contribution corresponding to the following 18 months**

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Financial implementation *Audit certificates I*

- An audit certificate is a certification of the costs claimed under the project (Form C).
- It is not an audit that the Commission may launch at any time and up to five years after the end of the project.
- Two audit certificates per contractor covering the whole duration of the project must be provided.
- They must be submitted within the annual reports at the end of periods n° 1 and 3.
- On request, the rule can be changed to one audit certificate only, at the end of period 3.

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Financial implementation *Audit certificates II*

- Without an audit certificate, a financial statement approved by the Commission (Form C) can not lead to the re-qualification of the relevant part of the pre-financing as a final payment.
- It is provided by the contractor's own external auditor (in case of public body may be by a competent public officer)
- The costs are reimbursed via the management activity of the project (100% funding)

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Financial implementation *Audit certificates III*

An audit certificate will certify:

- **the total eligible costs declared by the contractor**
 - **fulfil the definition of eligible costs**
 - **are determined according to the relevant cost reporting model for which this type of legal entity is eligible;**
- **the total amount of receipts declared by the contractor**
- **the total amount of interest yielded by the pre-financing declared for the relevant period**

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Support documents

<http://www.cordis.lu/fp6/find-doc.htm>

Model contract
Financial Guidelines
Consortium agreement checklist
Frequently Asked Questions
IPR Helpdesk (<http://www.ipr-helpdesk.org/index.htm>)
Reporting Guidelines

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THANK YOU FOR YOUR ATTENTION !

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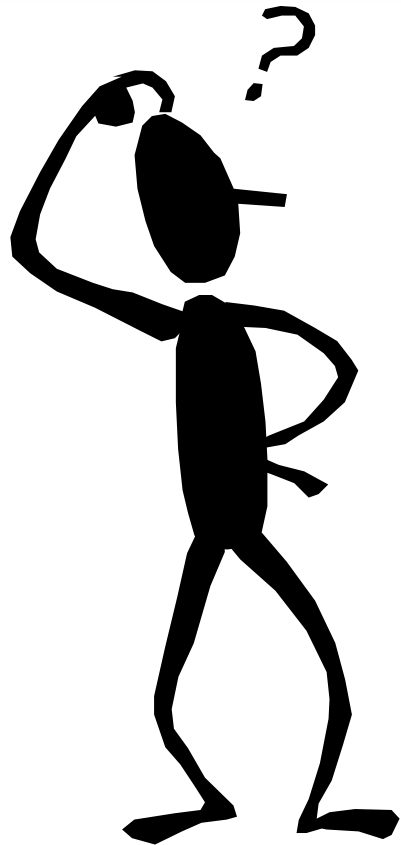
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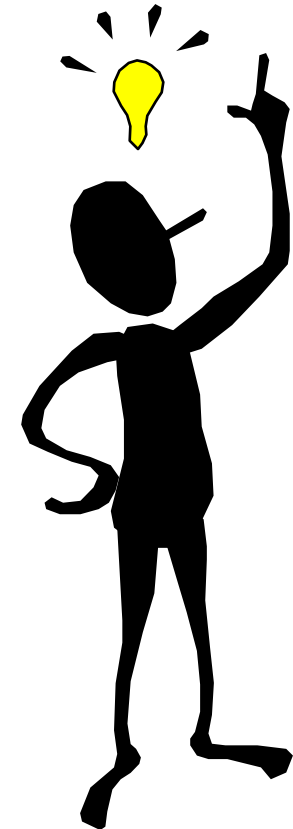


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Background Slides



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Financial implementation

How the EC contribution is calculated

➤ Grant to the budget is calculated according to:

- the provisional budget of estimated *eligible costs* and *receipts* broken down per *type of activity* and per *participant*
- the type of *cost reporting model*
- the *maximum reimbursement rates* per type of activity and cost model





Financial implementation *Cost reporting models*

- **Full Cost with actual indirect costs (FC)**
eligible direct and indirect costs are charged by the contractors.
- **Full Cost with indirect Flat rate costs (FCF)**
eligible direct costs and a flat rate for indirect costs are charged by the contractors.
This flat rate applied is 20% of all eligible direct costs minus the eligible direct costs of sub-contracts.
- **Additional Cost with indirect flat rate costs (AC)**
eligible direct additional costs and a flat rate for indirect costs are charged by the contractors.
The flat rate is equal to 20% of all eligible direct additional costs minus the eligible direct additional costs of sub-contracts.





Financial implementation *Access to Cost models*

- **FC model: all legal entities (except for physical persons)**
- **Physical persons: AC**
- **non-commercial or non-profit: FC, FCF**
- **non-commercial or non-profit which do not have an accounting system that allows to distinguish between direct and indirect costs: AC**
- **SMEs: FC or FCF**

- **possibility to change**

AC → **FCF, FC**

FCF → **FC**





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Financial implementation

Type of activities and maximum reimbursement rates

The type of cost model and the type of activity determine the **maximum reimbursement rates of eligible costs**:

- For contractors using the **AC** model:
100% of their additional costs whatever those activities might be
- For contractors using the **FC** or **FCF** models:
 - ✓ for **research and technological development or innovation activities**: **50%** of eligible costs;
 - ✓ for **training activities** : **100%** of eligible costs;
 - ✓ for **management of the consortium activities** :
100% of eligible costs.





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Financial implementation *direct and indirect eligible costs*

- **Direct eligible costs** are all costs that fall under the definition of eligible costs which can be charged directly to the project, and are determined by the contractor in accordance with its usual accounting practices
- **Indirect eligible costs** are all eligible costs determined by the contractor, in accordance with its usual accounting practices, which are not directly attributable to the project but are incurred **in direct relation to the direct eligible costs of the project**





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examples of potential eligible costs (Financial Guidelines: 6.1. Annex I)

- **Personnel**

- permanent and temporary employees
- the total gross remuneration plus the employer's portion of social charges
- calculated on individual basis
- working time must be recorded (including time sheets)
- the contractor should certify the records.
- A simple estimation of hours worked is not sufficient
- There must be a system that allows the time of anyone working on the project to be followed and audited
- Productive hours must be calculated according to the contractor's normal practices





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examples of potential eligible costs

- **Consumables:**

- may be considered as direct eligible costs. Consumables usually relate to the purchase, fabrication, repair or use of any materials, goods or equipment and software which:

- are not placed in the inventory of durable equipment of the contractor;
- are not treated as capital expenditure in accordance with the accounting conventions and policies of the contractor.
- have a short life expectancy, certainly not greater than the duration of the work under the contract;

- where it is the usual practice of the contractor to consider consumable costs (or some of them) as indirect costs, those costs can not be charged as direct eligible costs, but as indirect eligible costs.

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examples of potential eligible costs

- **durable equipment**

- Costs for equipment can include all those costs necessary to bring assets to the working condition for their intended use.
- Equipment used on the project should be accounted for in accordance with the normal depreciation rules of the contracting organisation.





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examples of potential eligible costs

- **travel and subsistence**

- considered as direct eligible costs, providing they comply **with the contractor's usual practice**.
- However, if such costs are reimbursed (by the contractor) on the basis of a lump sum/ or per diem payment, it is the lump sum/or per diem payment that is considered to be the eligible.
- Where it is the usual practice of the contractor to consider travel and subsistence costs (or some of them) as indirect costs, those costs can not be charged as direct costs of the project, but as indirect costs.





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examples of potential eligible costs

- **Subcontracting**

- **contractors are expected to have the resources **in-house****
- **only if more economic or efficient**
- **only if it is foreseen in the Technical Annex**
- **The **best bid** has to be taken into consideration**

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Reporting

Periodic management report (DRAFT)

- Summary financial report consolidating the claimed costs of all contractors
- Justification of the resources deployed by each contractor
- Financial statements from each contractor (form C of the Contract)
- Periodic funding distribution report.

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Role of participants: *technical manager, exploitation manager, IPR-Manager*

- **Technical manager**
 - Oversees the work executed by RTD performers
 - Consolidates WP technical reports

- **Exploitation manager**

- **IPR manager**

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Article 9 - Special clauses, if relevant

- An IAG may charge costs on behalf of its SME members,
 - if these costs are not receipt
 - the costs have to be identified in Part B of the contract
 - SMEs have to apply a cost reporting model in accordance with their accounting system
- If this clause applies, the IAG has to provide
 - a Form C for each SME
 - an audit certificate for each SME
 - the summary financial report including costs of each SME and itself

