



# Basic principles of FP7 Grant Agreement

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# Overview

- Basis for FP7 Grant Agreement
- Status/timing
- Terminology
- Similarities with FP6 contract
- Differences and improvements versus FP6 contract



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# Basis for FP7 Grant agreement

- Lessons learned from FP6 contract
- Financial Regulation and Implementing Rules (revised)
- FP7 Rules for Participation



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# Status & Timing

- Inter-service Working Groups on FP7 Legal & Financial Issues, Reporting (started in spring 2006)
- Consultation with Member States & associated countries and Sounding Board
- Inter-service consultation launched on 21 December, Target: Adoption February 2007



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# Terminology

- **Sources: FR/IR & FP7/RfP**
- “Contract” becomes “Grant Agreement”
- “Contractor” becomes “Beneficiary”
- “Instruments” become “Funding Schemes”
- “Audit certificate” becomes “Certificate on Financial Statement”



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# Similarities with FP6 contract

- Structure:
  - Core part: GA parameters,
  - Annex I: DoW,
  - Annex II: General Conditions,
  - Annex III: Specific provisions for funding schemes
  - Annex IV, V & VI: Form A,B & C
  - Annex VII: Form D terms of reference for the certificate of costs and Form E certificate on the methodology (NEW)
- Consortium Agreement mandatory (except if excluded by Call)



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# Similarities with FP6 contract

- Signature by coordinator & Commission
- Accession of beneficiaries via "Form A"
- Later accession of beneficiaries via "Form B"
- Entry into force upon signature by coordinator & Commission



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# FP6 contract-FP7 GA differences & improvements

- **Financial provisions**
  - Payment modalities
  - Eligible costs
  - Indirect costs
  - Certificates
  - Third parties
  - Upper funding limits
  - No financial collective responsibility
- **Other provisions**
  - Reporting



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# 1. Payment modalities

- One **pre-financing** (upon entry into force) for the whole duration
- **Interim payments** based on financial statements (EC contribution = amounts justified & accepted \* funding rate)
- Retention (10%)
- **Final payment**



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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)

- \*Average personnel costs accepted if :
- Consistent with the management principles and accounting practices &
- they do not significantly differ from actual personnel costs= if identified according to a methodology approved by the Commission (NEW)



## 3. Indirect Costs :

- For all:
  - 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.
- For Non profit Public Bodies, Secondary and Higher Education establishments, Research Organisations and SMEs unable to identify real indirect costs, may apply for a flat rate of **60%** for **funding schemes with RTD**.
- For CSA limit of **7%** of direct costs



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## 4. 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 above the threshold, mandatory for every beneficiary, except if a certification on the methodology is provided



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## 4. 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
- Waives the obligation of certificates for interim payments
- Simplified certificate for final payments



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## 4. Certification (3)

### Advantages of certificates on methodology:

- The EC will receive consistent certifications and cost claims clean from errors
- Beneficiaries will gain legal security
- Beneficiaries in many projects will have to submit less certificates
- EC and beneficiaries will have less processes to handle: less certificates (=less funds spend on certificates)
- EC gains significantly in terms of assurance on legality and regularity



## 4. Certification (4)

- Auditors will provide information according to a specific format specified via agreed terms of reference (ToR)
- ToR are annexed to the grant agreement (Annex VII)
- AUP is derived from common practice in audits and corresponds to international audit standards
- 2 types of certificates: Report of factual findings on
  - **expenditure verification** – certificate on financial statements (Form D)
  - **system verification**- certificate on the methodology (Form E)



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## 4. Certification (5)

### Who can provide these certificates :

- Qualified auditors under the 8th Directive
- Independent
- Public bodies, secondary and higher education establishments and research organisations may opt for a competent public officer



# 5. 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, 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



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.

(\*\*) 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.



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# 7. No financial collective responsibility

## Guarantee Fund

However, there is “technical responsibility” to carry out the project jointly and severally *vis-à-vis* the Commission.



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# Reporting (1)

- Periodic reports to be submitted by coordinator 60 days after end of period:
  - overview of progress of the work, including a publishable summary report,
  - use of the resources and
  - Financial Statement (Form C)
- Final reports to be submitted by coordinator 60 days after end of project:
  - publishable summary report, conclusions and socioeconomic impact,
  - covering wider societal implications and a plan on use and dissemination of foreground.



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# Reporting (2)

- Commission has **105 days** to evaluate and execute the corresponding payment
  - No tacit approval of reports
- After reception Commission may:
  - Approve
  - Suspend the time-limit requesting revision/completion
  - Reject them giving justification, possible termination
  - Suspend the payment



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**Thank you for your attention**

**Questions?**

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