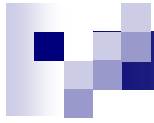


Finance in FP7



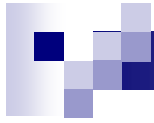
Project types in FP7

- **Collaborative Projects (CP) – aimed at research and development**
 - Small or medium scale focused research actions (1-4 MEuro founding, 5-10 partners, 2-3 years)
 - Large-scale projects (4-25 MEuro founding, 10-20 participants, 3-5 years)
- **Networks of Excellence (NoE) – aimed at integration of research activities/capacities**
 - Support the long-term integration of research resources and capacities
- **Coordination and Support Actions (CSA) – aimed at supporting collaboration, coordination & other activities (e.g. conferences and studies)**
 - Coordination Action – CA
 - Support Action - SA



Instruments - Comparison

<i>Instrument</i>	<i>Purpose</i>	<i>Primary deliverable</i>
Collaborative project (large)	research	knowledge
NoE	tackle fragmentation	Structuring, new projects
Collaborative project small	research	knowledge
CA	co-ordination	co-ordination, new projects
CSA	support	Support, new projects



Activity types in FP7 projects

- Research and technological development activities
- Demonstration activities (prototype design and assembly; test bench validation; pre-certification for testing purpose - proving the viability of new technologies)
- Other activities - management activities, training, coordination, networking and dissemination (including publications)



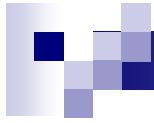
Funding limits

- For **research and technological development activities**, the *Community financial contribution* may reach a maximum of 50% of the total eligible costs.
 - However, for *beneficiaries* that are *non-profit public bodies*, secondary and higher education establishments, *research organisations* and *SMEs*, the rate may reach a maximum of 75% of the total eligible costs. If these *beneficiaries* change their status during the life of the *project*, this reimbursement rate shall be applicable up to the moment they lose their status.
- For **demonstration activities**, the *Community financial contribution* may reach a maximum of 50% of the total eligible costs.
- For **other activities** not covered by paragraphs 1 and 2, *inter alia*, management activities, training, coordination, networking and *dissemination* (including publications), the contribution may reach a maximum of 100% of the total eligible costs.



Cost models in FP7

- In FP7 cost models are used just to determine the rate of indirect cost for different organizations
- Direct costs are cost associated with the main activities of the organization
- Indirect costs are costs that support the implementation of the main activities



Cost models in FP7

- Full Cost Model:
 - real indirect cost, approved by an auditor
- Full Cost Flat Rate Model
 - direct costs plus flat rate of overheads (indirect costs) are charged
- What is the percentage for flat rate?



Cost models in FP7 - real indirect cost

■ Actual indirect cost

- ☐ Beneficiaries which have an analytical accounting system that can identify and group their indirect costs (pool of costs) in accordance with the eligibility criteria (e.g. exclude non-eligible costs) must report their real indirect costs or choose the 20% flat rate option.

■ Simplified method

- ☐ The simplified method is a way of declaring indirect costs which applies to organizations which do not aggregate their indirect costs at a detailed level (centre, department), but can aggregate their indirect costs **at the level of the legal entity**.



Cost models in FP7

■ Flat rate of 20%

- ☐ flat rate is open to any beneficiary whatever the accounting system it uses. Accordingly, when this option is chosen, there is no need for certification of the indirect costs, only of the direct ones.
- ☐ Companies should use the flat rate of 20 %

■ Special Transition Flat Rate of 60 %

- ☐ Non profit public bodies, secondary and higher education establishments, research organisations and SMEs unable to identify their real indirect costs for the project, may opt for a flat-rate of 60% when participating in projects which include research and technological development and demonstration activities
Applies to organizations that used AC cost model in FP6

Example: software and services company

Direct costs:

- Cost of R&D personnel
- Cost of the sales & marketing department
- Cost of Services department
- Total cost = 500,000 Euro

Indirect costs:

- Cost of management, finance and administration personnel
- Cost of support services
- Eligible overhead costs excluding payroll
 - Electricity
 - Equipment
 - Rent of facilities
 - Communication
- Total cost = 150,000 Euro

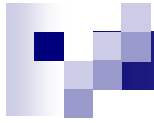
Direct	Indirect	Overhead percentage
500,000	150,000	30%

Overhead rate for FP7 project: percentage of indirect costs from direct costs



Eligible Direct Costs

- must be actual, economic and necessary for the implementation of the project; and
- must be determined in accordance with the usual accounting principles of each participant; and
- must be incurred within the duration of the project (unless otherwise specified in the contract); and
- must be recorded in the accounts of the participant that incurred them; and
- must exclude any identifiable indirect taxes (e.g. VAT), interest owed, costs incurred in respect of other projects etc.; and
- must – in case of subcontracting – be incurred in accordance with the usual accounting principles and practices



Eligible Direct Costs I

- Personnel – directly employed by the contractor
- Materials/consumables
- Equipment Depreciation (durable equipment)
- Travel
- Participation fees
- Subcontracting – avoid when possible
- Management cost
- Etc.



Non-Eligible Direct Costs

- Any identifiable indirect taxes, including VAT
- Interest owed
- Provision for possible future losses or charges
- Exchange losses
- Costs declared, incurred or reimbursed in respect of another Community project
- Debt and debt service charges
- Excessive or reckless expenditure



Subcontracts

- Services which are not normally carried out by the contractor in the project
- Intellectual property rights to be with the contractor not the subcontractor
- Based on competitive tender
- Selection on basis of the best value for quality of service
- Core elements of projects, like research cannot be subcontracted
- Larger subcontracts have to be described in Annex I to the contract



Eligible Indirect costs, in case of real indirect cost

- Costs relating to administration and management personnel, accounting etc.
- Cost of office or lab space, including rent, depreciation etc.
- Communication expenses
- Utilities, cleaning, security etc.
- Depreciation on non-departmental equipment (general office equipment and computers shared by all departments)
- Consumables shared by all departments

Project Receipts - How to deal with potential income to the project?

- Principle of non-profit!

Project Receipts:

- Financial transfers or their equivalent to the contractor from third parties
- Contributions in kind from third parties

These are considered to be receipts to the projects, if a third party has provided them specifically to be used in projects, but if the use of these contributions is at the discretion of the contractor they may be considered as eligible costs to the projects but are not to be considered as receipts.

- Income generated by the project

Any income generated by the project itself is considered is considered as receipt (sale of equipment, seminars etc)

- Income generated in using the knowledge resulting from the project is not considered as a receipt (licence fees)



Project Receipts I

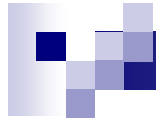
- Community financial contribution cannot exceed the total eligible costs minus the receipts of the project
- Meaning:
 - That a contractor cannot earn profit with receipts and when the amount of receipts exceed contractors contribution to total eligible costs the EU contribution will be lowered respectively
- Receipts can be used to cover co-financing

Example:

Contractor using FC model declares an amount of eligible costs of:

- 500,000 for R&D or innovation activities
- 100,000 for demonstration activities

And declares 330,000 as receipts to the project



What will be the Community contribution?

- Total eligible costs: 600,000
 - R&D activities $500,000 \times 50\% = 250,000$
 - Demonstration $100,000 \times 35\% = 35,000$
- Maximum allowable Community contribution 285,000

Amount funded by the contractor 315,000 minus receipts (330,000) will give a balance of – 15,000

Total Community Contribution: $285,000 - 15,000 = 270,000$