

# **Financial Rules in the 7th Framework Programme**

**Moscow  
15-17 october 2008**

## Funding schemes

To support actions which are implemented on the basis of calls for proposals:

1. **Collaborative projects** (CP) – STREP, IP
2. **Networks of Excellence** (NoE) - Support for a Joint Programme of Activities integrating their activities in a given field, carried out by research teams in a framework of longer term cooperation
3. **Coordination and support actions** (CSA) – CA,SA
4. **Individual projects**: Support for “frontier” research (funded in the framework of the European Research Council. ERC Starting Grant, Call Advanced Grant)
5. **Support for training and career development of researchers** (Marie Curie actions)
6. **Research for the benefit of specific groups (in particular SMEs)** – project where the research and technological development is carried out by universities, research centres or other legal entities for the benefit of SMEs or associations of SMEs

The type of funding scheme is shown in call for proposals.

## **Funding schemes - 1. Collaborative projects**

Support for 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 can vary from field to field and from topic to topic.

- Small or medium-scale focused research actions (STREP)
- Largescale integrating projects (IP)

## **Funding schemes – 3. Coordination and support actions**

Support for activities aimed at coordinating or supporting research activities - networking, exchanges, transnational access to research infrastructures, studies, conferences, etc.

## Maximum reimbursement rates

Maximum reimbursement rates of eligible costs	Research and technological development	Demonstration activities	Other activities (any “specific activity” covered by Annex I)
Network of excellence (NoE)	50% 75% (1)		100%
Collaborative project (STREP, IP)	50% 75% (1)	50%	100%
Coordination and support action (CSA)			100% (2)

(1) – for *beneficiaries* that are *non-profit public bodies*, secondary and higher education establishments, *research organisations* and *SMEs*.

(2) –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

## The forms of EC contribution of costs:

- Reimbursement of eligible costs – the statement of actual eligible costs, made during the project
- Flat rate (including scale of unit costs) –

Flat rate can be:

- 1) scale of unit costs (for example one researcher in Marie Curie actions)
  - 2) indirect costs / direct costs x 100%
- Lump-sum – fixed amount

**For International Cooperation Partner Countries (ICPC)** the Commission proposes simplified method – flat rate **lump-sum** amounts. They have been defined on the basis of World Bank data on cross national income levels in the different countries. **The partners from ICPC can still request the standard reimbursement of eligible costs.**

## Simplified method for ICPC partners

ICPC categories and EC funding for 1 researcher / 1 year work in project:

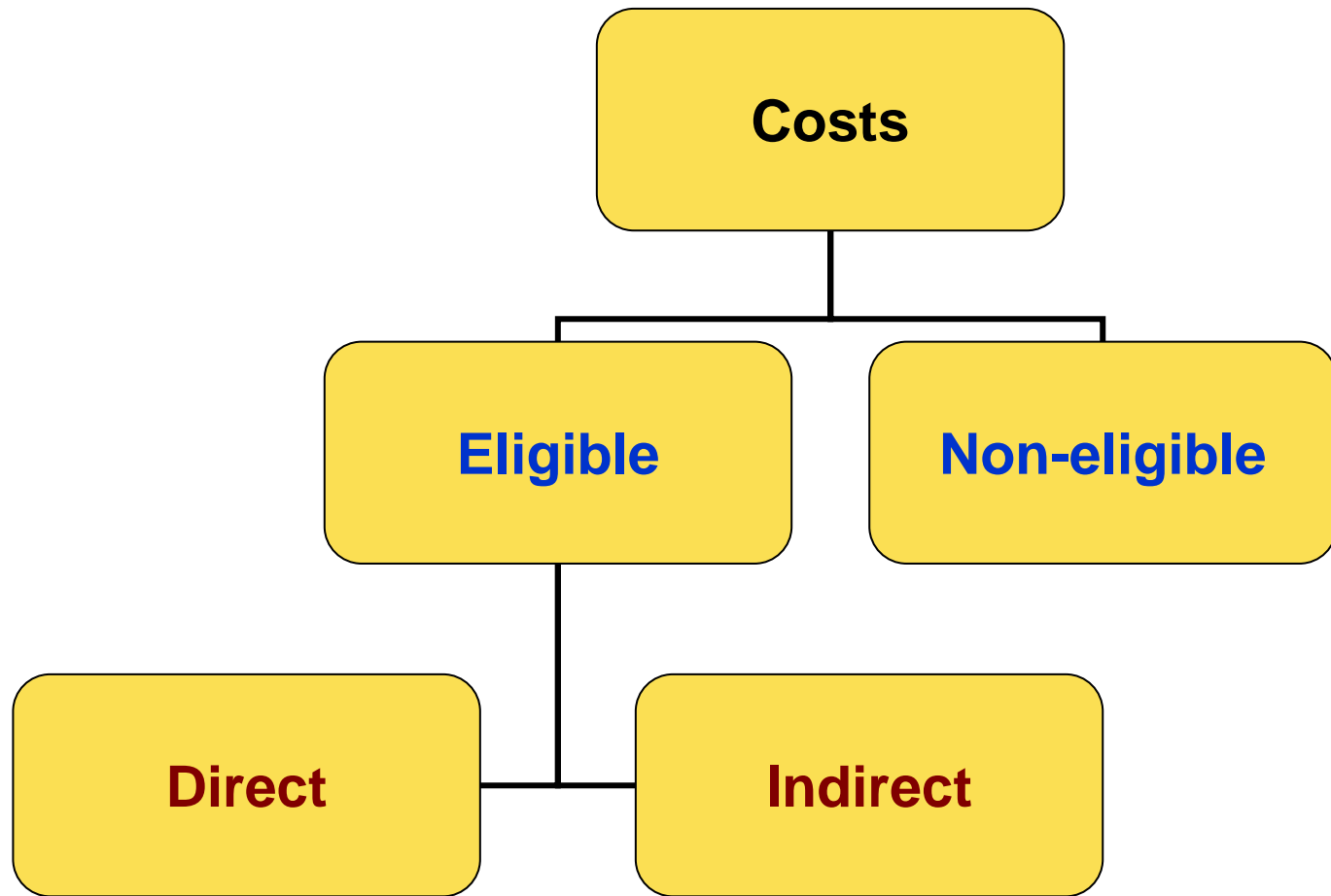
1. **Low-Income** - Kyrgyz Republic, Tajikistan, Uzbekistan – 8000.-
2. **Lower-Middle Income** – Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Moldova, Turkmenistan, Ukraine – 9800.-
3. **Upper-Middle Income** – Russia – 20 700.-

Example: from Russian university 3 researches work in 3 year project for 2 years.

The funding will be:  $3 \times 2 \times 20\,700.- = 124\,200.-$

The lump-sum funding covers all the costs of beneficiary.

## Reimbursement of eligible cost



## Non-eligible costs

The following costs are considered as non-eligible:

- Identifiable indirect taxes including **value added tax**,
- 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 Community project
- Debt and debt service charges, excessive or reckless expenditure

## Eligible costs of the project

In order to be considered eligible the costs must be (FP7 Grant Agreement – Annex II.14.):

- Actual
- Incurred by the beneficiary
- Incurred during the duration of the project
- Determined in accordance with the usual accounting and management principles and practices of the beneficiary
- Used for the sole purpose of achieving the objectives of the project
- Recorded in the accounts of the beneficiary

## Direct and indirect costs

- Direct costs are those eligible costs which can be **attributed directly** to the project and are **identified** by the beneficiary as such, in accordance with its accounting principles and its usual internal rules (system acknowledging the invoices and other costs approving documents).

With regard to personnel costs, only the costs of the **actual hours** worked under the project may be charged (timesheet is obligatory).

- Indirect costs are those eligible costs which cannot be identified as being directly attributed to the project but which is in **direct relationship** with the eligible direct costs and can be identified by its accounting system (phone and mobile phone costs, postal charges, bank fees, other office costs)

## Indirect costs can be identified

- For all beneficiaries:
  - Real indirect costs
  - *Flat rate* of 20% of its total direct eligible costs
  
- Non-profit public bodies, secondary and higher education establishments, and research organisations and SMEs, which are unable to identify their real indirect costs, when participating in funding schemes which include research and technological development and demonstration activities, may opt a *flat rate* 60% of the total direct eligible costs in period 2007-2009, and *flat rate* not lower than 40% in period 2010-2013

The beneficiary shall apply the option chosen in all grant agreements under the 7FP.

In the case of **coordination and support actions**, the reimbursement of indirect costs is **7%** from direct costs

## Example 1. Real indirect costs

The university has calculated his real indirect costs (flat rate) - 80%  
In project the university claims:

Direct costs	100,000.- EUR
Indirect costs (80%)	80,000.- EUR
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Total costs	180,000.- EUR

EC maximum funding in research activities is 75% for universities  
EC funding  $(180,000 \times 75\%)$  135,000.- EUR

- In CSA EC maximum funding is 100% from  
 $100,000 + (100,000 \times 7\%) = 107,000.-$  EUR

## Example 2. Standard flat rate

- The university has not calculated his indirect costs and uses standard flat rate 60%

In project the university claims:

Direct costs	100,000.- EUR
Indirect costs (60%)	60,000.- EUR
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Total costs	160,000.- EUR

In STREP EC maximum funding in research activity is 75% for universities

EC funding  $(160,000 \times 75\%)$  120,000.- EUR

- In CSA EC maximum funding is 100% from  $100,000 + (100,000 \times 7\%) = 107,000.-$  EUR

### Example 3. Standard flat rate

- Foundation which can not qualify for flat rate 60%, uses standard flat rate 20%

In project the organisation claims

Direct costs	100,000.- EUR
Indirect costs (20%)	20,000.- EUR
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Total costs	120,000.- EUR

For this type of organisations EC maximum funding in research activities is (50%) 60,000.- EUR

Co-financing is needed!

- In CSA EC maximum funding is 100% from  $100,000 + (100,000 \times 7\%) = 107,000.-$  EUR

## EC payments, pre-financing

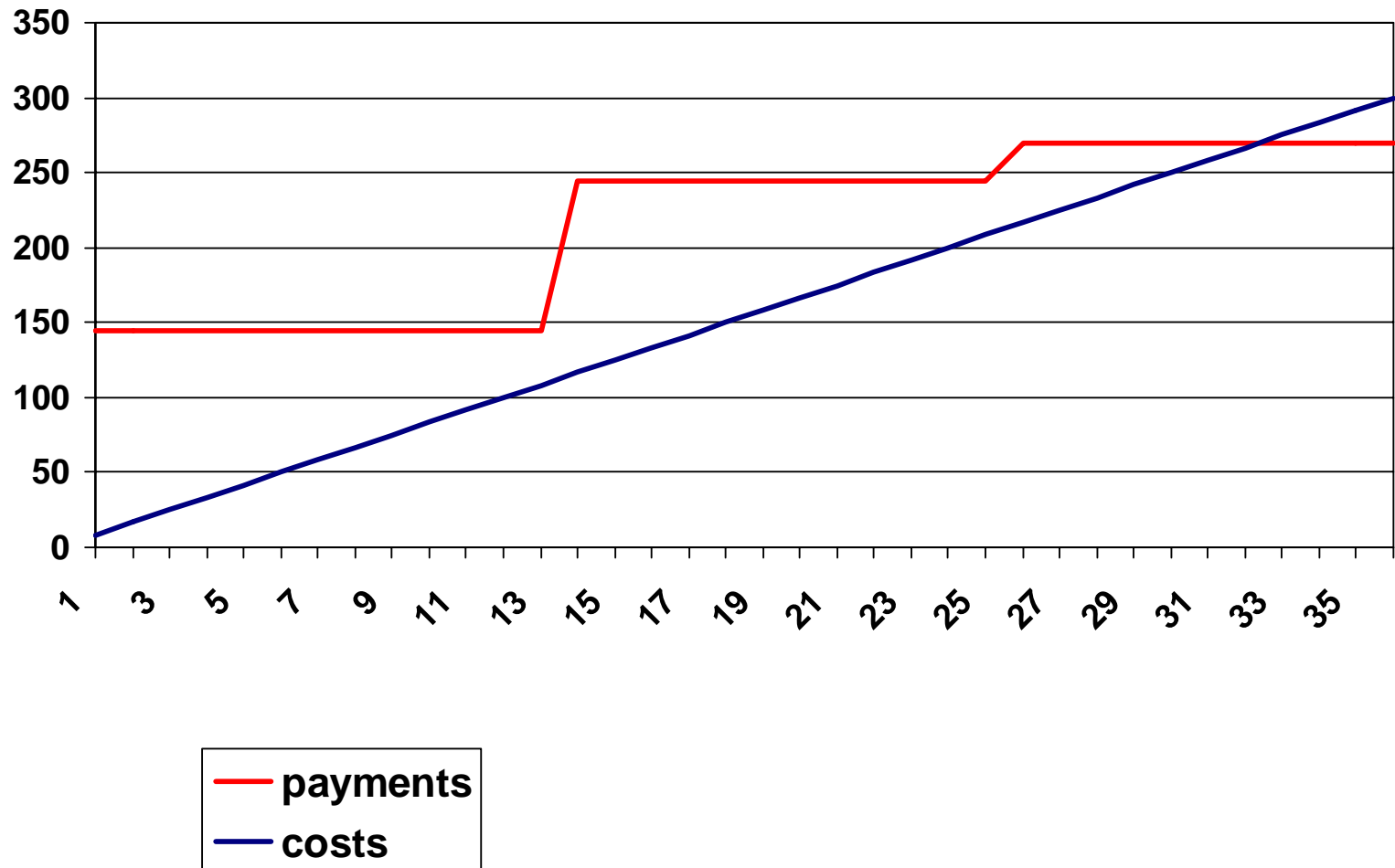
There is only one payment of pre-financing during the project:

- ✓ For projects with duration of more than two reporting periods, it should be equivalent to **160% of the average EC contribution per period.**
- ✓ For projects with one or two reporting periods, the amount of the pre-financing should be between 60-80% **of the total EC contribution.**

The pre-financing payment will be received by the coordinator within 45 days of the entry into force of the grant agreement and distributed to the other beneficiaries

The pre-financing will remain the property of the Communities until the final payment

## EC payments



## Guarantee Fund

- Beneficiaries financial responsibility is limited to its own debt.
- To manage the financial risk, the beneficiaries contribute 5% of EC funding to Guarantee Fund. The contribution will be made from pre-financing.
- The Fund will be returned to the beneficiaries with the final payment.
- The Guarantee Fund is the property of the beneficiaries. The EC is managing the Fund by depositing it in a bank. Interest generated by the Fund will be used by the EC to recover the financial risk.

## Audits

- **Audit on the Methodology** is necessary for beneficiaries using the real indirect costs, once in the lifetime of FP7. It can be used for all FP7 Grant Agreements.
- **Audit on the Financial Statement** is obligatory only in the case of reimbursement of real cost, when EC contribution is equal or superior to **375 000.- EUR**.  
In case of lump-sum financing the Audit on the Financial Statement is not required.
- The **EC** may, at any time during the project and up to 5 years after the end of the project, arrange for financial, systemic and technical audits to be carried out, by external auditors, or by the EC themselves including European Anti-Fraud Office (OLAF).

**Thank you!**

Anne Park  
FP7 Legal and Financial NCP  
Archimedes Foundation  
Estonia

[anne.park@archimedes.ee](mailto:anne.park@archimedes.ee)