




Finance-Helpdesk

www.Finance-Helpdesk.org

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Background

The Finance Helpdesk was initiated by the IST SSA project Finance-NMS-IST-015481

"The objective of Finance-NMS-IST was to enhance the successful participation of New Member State Organisations in the IST Program by addressing the financial and budgetary aspects of participation."

The Finance Helpdesk has since expanded their services to all countries

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Disclaimer

All information on FP7 is based on "official" and "unofficial" information we have received –Financial Rules document is not binding

The aim and purpose of the Financial-Helpdesk is to raise awareness of the framework program financial issues, and not to give legally binding advice. It is intended to provide any relevant information which may be of assistance to anyone with financial queries or concerns. The Finance Helpdesk endeavours to deliver a high level service for this purpose. Notwithstanding this, no guarantee can be given on the correctness or completeness of the information provided and neither the European Commission, EFPConsulting, nor the Finance Helpdesk partners and associates are responsible or may be held accountable for any loss suffered as a result of reliance upon the services of the Finance-Helpdesk. Any information given does not necessarily reflect the official position of the European Commission.

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Finance Helpdesk

- ✓ Explanation of the Financial Rules
 - What do they really mean?
 - Impact of proposed FP7 changes
- ✓ FAQ
- ✓ News
- ✓ Event support
- ✓ Financial workshops (1-3 Days)
 - For project managers and administrators
 - For accountants and auditors
- ✓ Glossary
- ✓ Links
- ✓ Templates

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Workshops

Finance-Helpdesk has provided 40+ workshops on FP6 in 18 countries:
Belgium, Croatia, Cyprus, Czech Republic, Estonia, Hungary, Iceland, Israel, Latvia, Lithuania, Malta, Poland, Portugal, Slovakia, Slovenia, Spain, Turkey, UK

We run Workshops (mainly in Brussels):
On Proposal writing (2 days)
Contract negotiation (1 day)
Financial Workshops (1, 2 and 3 Days)

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Finance Helpdesk

Online question facility (Helpline)


- Confidential
- Answered by Accountants

Goodies: Examples

- Recording Hours Guidelines for FP7 Projects ***NEW***;
- How to deal with VAT and Taxes in FP7 Projects ***NEW***;
- How to calculate man-months and man month rates ***NEW***;
- How to Calculate Employer Personnel Costs;
- Third Parties;
- Audit Reports (Certificates) within FP6;
- FP6 Collective Financial Responsibility Explained;
- "Overhead Calculations within FP6" Paper;

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Finance Helpdesk

Book is also available for free download

- Approx 220 pages
- Updated every two months


Other aids/information also available for free download



The European Union's
ICT Program in FP7
Version 1.8
Myer W Morron
Efpconsulting Ltd
(www.efpconsulting.com)
14 Oct 2007

The latest version of this document is available at
http://www.efpconsulting.com/ict
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Welcome to Finance Helpdesk Website!

New dates for 2 Day Proposal Writing, 1 Day Financial Workshop, and 1 Day Contract Negotiation and Project Kick-off Workshops
19-22Nov

Welcome to the Finance Helpdesk. This facility was started by the Finance-NMS-IST Project, with the support of the IST Program. This website acts as a portal and a helpdesk for the latest IST related financial information. Don't forget to register with us [here](#) to be able to download documents, use the confidential helpline and to receive our Financial Newsletters.

Latest News

23/10/2007 **Recording Hours Guidelines for FP7 Projects published.**
In order to receive money from the Commission, organisations must produce reports and ... [Read More](#)

16/10/2007 **The latest Financial Helpdesk Newsletter (#14) is available now.**
To view the newsletter, please click ... [Read More](#)

16/10/2007 **FREE downloadable FP7 book V1.8 available now.**
Version 1.8 of Mr. Myer W. Morron's new FP7 ICT Book, which follows on from the highly acclaimed FP6 and F... [Read More](#)

Upcoming Events

05/11/2007 1 Day SME Measures Workshop in Brussels, Belgium.***Closed***

06/11/2007 3 Day in-depth FP7 Financial Workshop in Brussels, Belgium.***Fully Booked***

19/11/2007 2 Day Proposal Writing Workshop in Brussels, Belgium.

21/11/2007 1 Day FP7 Financial Workshop in Brussels, Belgium.

22/11/2007 1 Day FP7 Contract Negotiation and Project Kick-off Workshop in Brussels, Belgium.

16/12/2007 3 Day in-depth FP7 Financial Workshop in Tel-Aviv, Israel.

Newsletters


16/10/2007 Finance Helpdesk Newsletter #14

27/08/2007 Finance Helpdesk Newsletter #13

Selected FP7 Helpline Q&A

28/09/2007 How do I depreciate equipment?

24/09/2007 Can academic permanent staff (professors, associate professors etc) be paid by a project under the category of RTD?




Content

Note: this presentation mainly address the collaborative research part of FP7

- Financial highlights of FP7
- Open questions
- Some initial guidance
- Role of the coordinator and ethical behaviour


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FP7 Terminology changes

FP6 Term	FP7 Term	Type of Project
Cost model	Funding regime	
Instrument	Funding scheme	
Specific Support Action	Support Action	
IPs and STREPs	Collaborative Projects	
Financial Guidelines	Financial Rules	
Contract	Grant Agreement	
CPF	GPF	
Contractor	Beneficiary	
Audit certificate	Certificate on Financial Statement	


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Major Changes (1)


- The principle "Financial Collective Responsibility" is replaced by a "Mechanism to cover financial loss"; in order to remove barriers for participation (especially for SMEs)
- The three cost reporting models used in previous Framework Programs are officially abandoned
- For R&D activities, EU covers 75% funding; unless you are a large industrial organisation where the EU covers 50% (except in some cases in Security program)
- Special transition derogation for those who used AC in FP6 and permanent staff can now be funded
- Special transition derogation for small SMEs?

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Major Changes (2)

- Consortium Management 100% funding 7% limit removed
- Overhead rate on CSAs limited to 7%
- Demonstration activity rate raised to 50% for everyone
- Ex ante checks only for Coordinators and partners receiving more than 500,000 Euros
- Coordinator interest on prefinancing as a receipt, modified



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FINANCE HELPDESK **Major Changes (3)**

- If Partner's total claim is less than €375,000 then no Certificate on Financial Statement (CFS) required
- CFS mandatory when cumulative requested unaudited claim reaches €375,000;
 - if a certification on the methodology is provided only at end of project;
 - if project is less than two years only at the end;
 - otherwise each time €375,000 is reached
- Only one activity type per Workpackage
- IPR rules have been simplified

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FINANCE HELPDESK **Transitional Flat rate of 60%**

Organisations can use the flat rate if they are either:

- Non-profit public bodies
- Secondary and higher education establishments
- Research organisations
- SMEs

AND

- The organisation is unable to identify with certainty their real overheads **per project**.

AND

- The type of project they are proposing for does not cap the overhead rate (e.g. CSA).

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FINANCE HELPDESK **Derogation**

The Transitional Flat rate is a derogation that allows: The use 60% indirect costs rate for first projects under calls that closed before 1 January 2010 (first 3 years of FP7). Then, at least 40% for projects under calls published after 1/1 2010.

Applicability to SMEs under review

If an Organisation currently only has the ability to calculate their total overhead costs and in order to allocate overheads to specific projects they would have to introduce methods such as the "Simplified Method", then they could initially use the Transitional Flat Rate of 60% until such methods were in place and in line with their normal accounting methods.


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FINANCE HELPDESK **Network of Excellence**

- Support the long-term durable integration of research resources and capacities
- Networks should consist of a limited number of major labs/players (6 – 12)
- Options to add in further participants (without extra funding)
- It is the Department or Institute that joins
- Must have high level commitment (Vice Chancellor)
- Implemented through Joint Program of Activities
- Establishment of a single virtual centre of research

Note: FP7 proposal is that funding will move to "lump-sum" but not initially

Companies unlikely to get R&D funding -
Could get funding for - Technology Transfer, training, steering committee, NoE Management etc.



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FINANCE HELPDESK **Special lump-sum for Networks of Excellence (Art 35)**

- For Networks of Excellence, a special lump sum is proposed in the Rules [if this form of financing is indicated in the Workprogram]
- **When introduced, the lump sum would be € 23,500 per researcher per year equivalent to current grant for integration (with update every two years)**
- **Payments based on assessment of progress in implementing the joint program of activity (measured by indicators of integration)**
- **When introduced, lump Sums → No cost reporting in FP7**
- **Note: This was not used in the 1st Calls of FP7**

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FINANCE HELPDESK **FP7 Impact Summary**


	Large Industry	SMEs	University
Positive Changes	1. Demo now 50% instead of 35% 2. 7% Management limit gone (?) 3. Less financial risk 4. ETPs & JTIs	1. Funding increased to 75% from 50% 2. No bank guarantee costs 3. Derogation ??	1. Charge all staff 2. Overhead calculation increases funding 3. Derogation maintains FP6 minimum
Negative Changes	1. 10% of total funding withheld 2. CSA overheads only 7% 3. -1% for fund	1. 10% of total funding withheld 2. CSA overheads 7% 3. Demo 50% 4. Ex ante coord & 500,000 barrier 5. -1% for fund	1. CSA overheads only 7% 2. Demo 50% 3. sub-contracts 75%
Summary	Slightly better	Better	Much better

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FINANCE HELPDESK **Unique Registration Facility**

Storage and exchange of data with participant organisations facilitated through a common secure FP/CIP Portal
In long term to include all participant data:

- **Legal entity data**
 - Financial viability data
 - Departments, institutes, affiliates, etc.
 - Persons (researchers, experts, signatories, ...)
 - Roles, identity and security management



- Eventually every organisation can be in if wanted
- In 2007 only legal data will be held – rest incrementally
- Accepted only after VALIDATION PROCESS
- Data valid for EC contracts and payments
- Provision of Participant Identification Code (PIC) for use in contracting and proposals

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FINANCE HELPDESK **Please Note:**

- Professors being paid directly from **Government** and not from the University **are eligible costs** because the professor is made available to the department and not for a specific Project. In this case the Government agency would be a Third Party

However

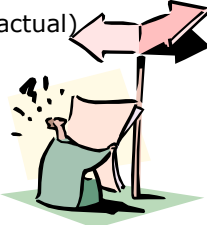
- Universities that are not beneficiaries, rather – they work through another organisations set up by the Universities:
 - if the resources are for a particular project – these costs would be classed as receipts.
 - if the resources are given in General then it is a Third Party.

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FINANCE HELPDESK **FP7 Overhead Options**

- Flat Rate 20%
- Transitional Flat rate of 60%
- Simplified Method – (actual)
- Analytical Indirect Costs – (actual)

What do I USE?



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FINANCE HELPDESK **University selection**

Most seem to be choosing the Transitional Flat rate of 60%

However our accountants having checked several Universities believe they could justify 150-200% using the Simplified Method – (actual)

We would advise against trying to use the Analytical Indirect Costs – (actual)

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FINANCE HELPDESK **Certification in FP7**

For frequent participants who wish to use simplified reporting processes there are new opportunities for Certificate on Methodology (COM)

- System Verification
- Method of calculating average personnel costs

But only available on approval of request to the EU
Initially reserved for top participating organisations

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FINANCE HELPDESK **Some Still Open Issues**

- Amount of prefinancing interest not regarded as project income
- Lump sums are established by the Financial Regulation and implementing rules – per category/per beneficiary **(to be clarified)**
- Flat rates include scales of unit for other types of costs **(to be clarified)**
- Implementation of derogation for SMEs **(to be clarified)**
- Use of Incremental participation in FP7 being clarified
- Details on operation of different certification methods now somewhat clarified
- Details on how first FP7 contract negotiations are being conducted now emerging
- Sanctioning of withholding prefinancing as a management tool **(to be clarified)**

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FINANCE HELPDESK **The Role of the Coordinator**

**Coordinator has no additional Rights
only additional Responsibilities**

**The role is more akin to a
Secretary General
than a
Director General**

Remember:
We are undertaking **collaborative** research with
partners, cooperating in consortia

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FINANCE HELPDESK **The Role of the Coordinator**

- administer the *Community financial contribution* regarding its allocation between *beneficiaries* and activities, in accordance with this *grant agreement* and the decisions taken by the *consortium*. The *coordinator* shall ensure that all the appropriate payments are made to the other *beneficiaries* without unjustified delay
- keep the records and financial accounts making it possible to determine at any time what portion of the *Community financial contribution* has been paid to each *beneficiary* for the purposes of the *project*
- inform the *Commission* of the distribution of the *Community financial contribution* and the date of transfers to the *beneficiaries*, when required by this *grant agreement* or by the *Commission*;
- review the reports to verify consistency with the project tasks before transmitting them to the *Commission*;
- monitor the compliance by beneficiaries with their obligations under this grant agreement

None of the above can be subcontracted

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FINANCE HELPDESK **The Role of the Coordinator (1)**

The Coordinator:

- Acts as the interface to the Commission
on behalf of the Consortium.
- Receives all payments from the Commission
on behalf of the Consortium.
- Distributes moneys to the Consortium
as agreed by the Consortium in the Consortium Agreement
- Responsible for the Financial Management of the Project
on behalf of the Consortium.
- Notifies the Commission of the financial distributions
on behalf of the Consortium.

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FINANCE HELPDESK **Project Phases**

The financial problematic areas per phase are:

- Building the consortium/proposal preparation
- Submitting the proposal
- Evaluation
- Contract Negotiation
- Consortium agreement
- During the project
- Project end

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FINANCE HELPDESK **1 Building a consortium**

At this stage the coordinator attracts partners to join him in participating in a proposal


- Partners should not be actively competing in a parallel proposal – full disclosure is ethical – sabotage is unethical
- Partners should be formally informed that they are part of the consortium and should not be dropped without adequate discussion and agreement
- Coordinators should not normally “charge a fee” to join the consortium unless all are treated equally and it is to cover legitimate and agreed costs
- Partners should be informed who all the partners are

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FINANCE HELPDESK **2 Submitting the proposal**

- Partners should not be told what man rate to use or what overhead rate they should use
- Partners should not be told to request less than the maximum allowable funding rate
- When the proposal is finally submitted, it should be with the general agreement of the partners
- Coordinator must enter EPSS financial info as supplied by each partner
- Partners should each be sent a copy of the final proposal and a copy of the acknowledgement of receipt
- Large companies should not force “Demonstrations”


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3 Evaluation

1. Coordinators should keep their partners in the picture
2. When they receive the ESR it should be distributed to each partner ASAP
3. Partners should feed back any information they may receive informally
4. Any necessary lobbying should be organised by the Coordinator via the various Program Committee representatives as needed


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4 Contract negotiations

1. Conduct them in an open manner
2. All partners should have a copy of the "Framework for Negotiation"
3. Interested partners should be allowed to attend, subject to space
4. Partners should receive a meeting report and a copy of Commission minutes of the meeting
5. Standard travel budgets should not be used – each partner should use projected real costs
6. Ensure as far as possible partner comments taken into account
7. Keep in full confidence financial status information of partners
8. All partners should immediately receive final agreed contracts
9. All partners should have updated copies of payment split and schedule


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5 Consortium Agreement

1. Have to ensure participative management – not a dictatorship
2. Coordinator should have a single vote (and perhaps casting vote)
3. Must prevent single partners from blocking decisions
4. Must protect financial interests of minor or new players
5. Perhaps have some arbitration process for disputes, especially regarding reallocation of funding/tasks
6. Should ensure partners receive their funding promptly
7. Should ensure partners receive their funding net of bank charges
8. Pre-finance should not be used as a management tool
9. Causing a performing partner cash-flow problems by delaying transfers, is in breach of Commission rules


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6 During the project (a)

1. Coordinator should be flexible on cost categories and phasing
2. Project management should be light weight and flexible - this is R&D not civil engineering
3. Monthly timesheets and reports not necessary
4. Coordinators should not try to micro-manage
 - Even if Project Officer does (!)
5. Notify entire consortium immediately when monies received from Commission
6. Partners should be open about problems as soon as they become apparent, especially operational ones
7. Partners should not do anything illegal – if in doubt discuss before hand


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6 During the project (b)

1. Coordinators should not blackmail partners by withholding prepayments unless they agree to some demand
2. Coordinators should not write minutes before meeting takes place
3. All partners should be informed about relevant discussions or problems that may arise
4. Partners should not be discriminated against because their travel costs are higher
5. Partners should not be discriminated against because their man rates are higher
6. Partners should not have to sign meeting minutes


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7 Project End

1. Don't remove funding from weaker players
2. Don't lose project funding by last minute unforecast under spend
3. Don't hold up others being paid!!
4. The project is not over until all reports are accepted – ensure ongoing availability of staff in case of problems
5. The final payment may be crucial to some partners
6. Don't turn your back on your partners!


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Sources of Problems


1. Commission does not recognise that SMEs cannot enforce contracts against large organisations
2. Draft Consortium Agreements promulgated by Commission are anti-SME
3. Some Project Officers encourage Coordinators to use pre-financing as a management tool
4. Some Project Officers try to micro-manage
5. An organisation can always leave a consortium, but the project may be important to them

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Summary

1. Projects should be a good experience, not just a technical success
2. Should be seen as an opportunity to broaden your business & professional contacts
3. Unethical behaviour reflects badly on you, your organisation and your country
4. Being a reliable partner can ensure you being invited into additional projects – the opposite is equally true



<http://www.quali4eu.net/>

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