Administrative, Financial and Operational Aspects of Project Management

European Commission
Research and Innovation Directorate General
Environmental Technologies Unit
1. General overview of Grant Agreement
2. Duties and Responsibilities of the Parties
3. Reporting and Deliverables
4. Financial and Legal Aspects of the Grant Agreement
5. Final Recommendations
A GA is an Agreement by which the EU grants funds to a Consortium, within a defined legal and financial framework to carry out a project according to the tasks defined in the Description of Work annexed to the Grant Agreement.

- **Consortium Agreement mandatory**
- **Entry into force of GA upon signatures by the coordinator & the Commission**
- **Accession of beneficiaries via “Form A” at the start of project (due within 45 days maximum after signature of GA by the Commission)**
- **Later accession of beneficiaries via “Form B”**
FP7 Flowchart

GRANT AGREEMENT

Core contract

ANNEXES

1. Description of Work
2. General conditions
Specific provisions
Forms A

European Commission

Consortium Agreement
- Decision-making Rules
- IPR Issues
- Global Risk Management

Subcontractor

Project Coordinator

Beneficiary 1

Beneficiary 2

Research and Innovation
Duties & Responsibilities of the Parties
Ensures the respect of contractual provisions by all parties
Monitors scientific, technical and financial execution of the project
Ensures payments of financial contribution
Reviews, analyses and approves project deliverables and reports
Maintains the confidentiality of information
✓ Administers the financial contribution of the Union regarding its allocation between beneficiaries and activities in accordance with GA
✓ Ensures that all the appropriate payments are made to the other beneficiaries without unjustified delay
✓ Keeps the records and financial accounts
✓ Informs the Commission of the distribution of the financial contribution of the Union and the date of transfers to the beneficiaries
✓ Reviews reports to verify and ensure quality, completeness and consistency with the project tasks before transmitting them to the Commission on time
✓ Monitors the compliance by beneficiaries with their obligations under the grant agreement (including the DoW)
✓ Acts as an intermediary between the beneficiaries and the Commission, informing the Commission of any event which might affect the project.

(For meetings consult Project Officer, consider Brussels as location)
Provide all detailed data requested by the Commission for the purposes of the proper administration of their project;

Carry out the project jointly and severally vis-à-vis the Union taking all necessary and reasonable measures to ensure that the project is carried out in accordance with the terms and conditions of the grant agreement (work described in Annex 1- DoW)

Make internal arrangements (consortium agreement) consistent with the provisions of the grant agreement to ensure the efficient implementation of the project:

- internal organisation of the consortium including the decision making procedures;
- rules on dissemination and use, and access rights, the distribution of the financial contribution of the Union;
- settlement of internal disputes
- liability, indemnification and confidentiality arrangements between the beneficiaries.
✔ Own the knowledge generated
✔ Must use and protect the results
✔ Participate in all meetings concerning the supervision, monitoring and review of the project
✔ Follow fundamental ethical principles
✔ Promote equal opportunities
✓ General principle: the knowledge belongs to the partner(s) who generated it
  • For several partners the share of ownership has to be decided in Consortium Agreement

✓ Rules identical for all participants.
  • Participants are free to agree details

✓ Knowledge of commercial value has to be protected.
Reporting and Deliverables
Management from EC side

Project Officer (PO)
Administrative Assistant
Financial Officer (FO)

Mail to the attention of Project Officer
European Commission, DG Research & Innovation
B-1049 Brussels – BELGIUM

Email: First Name.Surname@ec.europa.eu

! Submission of scientific and financial reports electronically
Via: http://ec.europa.eu/research/participants/portal/
For financial reports: signature on paper is no longer required
For each reporting period

- **Deliverables** identified in the DoW shall be sent within the deadlines specified in the grant agreement

- **Periodic Report** (overview of progress, incl. publishable summary/Explanation of use of resources /Financial statements incl. summary and certificates) to be sent within 60 days of the end of each reporting period
  - same for last reporting period

At the end of the project

- **Final Report** - sent within 60 days of the end of the project (final publishable summary report/ plan for the use and dissemination of foreground/questionnaire on societal implications

- **Final report on the distribution of the Community financial contribution** between contractors, made after the end of the project - shall be sent 30 days after receipt of the final payment

*See Article 4 of the General conditions (Annex II) to GA*
At the end of each reporting period the Commission shall evaluate the reports and the deliverables and disburse the corresponding payments within 90 days of their receipt.

Payments will be made after the Commission’s approval of reports and deliverables. The absence of response from the Commission within the time-limit will not imply the reports and deliverables approval. The Commission may reject reports and deliverables even after the time-limit for payment.

The Financial Regulations changed in 2013 requiring an amendment to GAs started before 1st Jan 2013. Projects concerned will be informed in due course.
What if a report/deliverable is **NOT** approved?

- Suspend the time limit for payments (informing the coordinator in writing).
- Proceed with an interim payment in part.
- Start the procedure for termination of the GA in whole or in part.

Login with your ECAS account
FP7 documents

http://ec.europa.eu/research/participants/portal/page/fp7_documentation
Time to Payment

End of reporting period → Submission of all due reports and deliverables → Approval of reports and deliverables → Payment

Possible review meeting (final review)

Max 60 days

Max 90 days
The aim of a technical audit or review is to assess the work carried out under the project over a certain period and provide recommendations to the Commission (typically use independent expert(s) to review project). Such reviews may cover scientific, technological and other aspects relating to the proper execution of the project:

- Degree of fulfilment of the project work plan and the related deliverables
- Resources planned and utilised
- Management procedures
- Expected potential impact in scientific, technological, economic, competitive, and social terms (where relevant)
- Dissemination and exploitation plans
Possible outcomes of a technical review (Commission decision, not the reviewers’ one):

- The project can continue without modification of Annex I or with minor modifications
- The project can only continue with major modifications
- Termination of the GA or of the participation of any beneficiary
- Issue of a recovery order regarding all or part of the payments made by the Commission and application of sanctions
During and after the project, the Coordinator shall provide references of all scientific publications related to foreground at the latest 2 months after publication (full list in Final Report).

"OPEN ACCESS" Clause 39 in GA ensures that scientific publications are placed in a repository, making them electronically and freely available to anyone.

Don't forget importance of also Communicating to Public, Policy Makers, Target Market/End Users using appropriate language and media.

Remember !!!

Acknowledgement (logo) See guidelines on text to use:

"The research leading to these results has received funding from the European Union's Seventh Framework Programme under grant agreement number -----, ACRONYM within the RTD activities of the Environment Thematic Priority."
Financial and Legal Aspects of the Grant Agreement

Payment Modalities

- Pre-financing at the start of project
- Periodic payments based on financial statements after each period (EU amount depends on justified & accepted costs and funding rate)
- Retention of 10% of max EU contribution until final payment
- Final payment to be made 90 days max after explicit approval of all reports (EU will pay interest after that period)
Cost Reimbursement
Eligible Costs

✓ Actual, economic and necessary for the implementation of the project

✓ They must be determined in accordance with the usual accounting principles of the beneficiary

✓ They must be incurred during the project duration ... except ... drafting the final reports ... which may be incurred during the period of up to 60 days after the end of the project

✓ They must be recorded in the accounts ...
  • In case of contributions made by third parties ... be recorded in the accounts of the third party

The Commission may launch audits at any time and up to 5 years after the end of the project
Examples of non eligible costs

- Indirect taxes including VAT (Non-recoverable VAT is eligible from 2013 within the New Financial Regulations)
- Duties
- Interest owed
- Provisions for possible losses or charges
- Exchange losses and cost related to return on capital
- Cost declared in another EU project
- Debt and debt service charges
- Excessive or reckless expenditure
Preference for actual / real costs; either

✓ Actual indirect costs
✓ Simplified method

If not possible

✓ Flat rate of direct costs (less the subcontracting costs and costs from third-parties not used on the beneficiary’s premises).
  • as a rule 20% flat rate
  • for non-profit public bodies, secondary/higher education establishments, research organisations and SMEs unable to identify real indirect costs: transitional flat rate of 60% for RTD activities
✓ Reimbursed at rate of 100%

✓ A non-exhaustive list of activities accepted as Management activities is mentioned in Article II.16 of the GA (Annex II).

✓ They can never include what is commonly known as “scientific coordination”, which may be reimbursed at 50% (or 75%) as an RTD activity.
There is only ONE pre-financing payment (advance payment).

It will be received by the coordinator at the beginning of the project and in any case within 30 days of the entry into force of the grant agreement (unless fixed start date far in future - Special Clause 6)

The pre-financing is defined in the GA.

• For projects with one or two reporting periods it will be between 60-80% of the total EU contribution minus 5% as a contribution to the Guarantee Fund.

• For projects with three or more reporting periods it will be equivalent to 160% of the average EU funding per period (NOT per year) minus 5% of total budget as a contribution to the Guarantee Fund.
A project with 2 periods and a total budget of EUR 3,000,000 EU contribution

- Pre-financing (60% of the EU contribution) = EUR 1,800,000
- Contribution to the Guarantee Fund (5%) = EUR 150,000
- Net amount transferred to the Coordinator = EUR 1,650,000
A project with 3 periods and a total budget of EUR 3,000,000 EU contribution

- Average EU contribution per reporting period:
  \[ \text{EUR } 3,000,000 / 3 = \text{EUR } 1,000,000 \]
- Pre-financing = EUR 1,600,000
- Contribution to the Guarantee Fund (5%) = EUR 150,000
- Net amount transferred to the Coordinator = EUR 1,450,000
The transfer of budget between activities and beneficiaries is allowed **without** the need for an amendment to the Grant Agreement (GA)

**However**

The work shall be carried out as foreseen in the Description of Work (DoW) – Annex I to the GA

It is advisable to pre-check this with your Project Officer (PO) on a case-by-case basis
If the budget transfer corresponds to a major change in the DoW, then an amendment to the contract is necessary. Subcontracting of tasks not originally foreseen in the DoW may be an example of such a “major” change.

Whenever a transfer is made, the reimbursement rates of the new activities and beneficiaries concerned will apply. Please keep in mind that the EU financial contribution cannot be increased.
The Consortium Agreement **MUST** be concluded by the time GA is signed.

Costs related to the drafting of the Consortium Agreement (CA) are **NOT** eligible.
87% of audit findings are the result of errors

Most of these errors occur due to:

✓ misunderstanding of the rules; or
✓ lack of attention to the detail of the provisions of the FP7 grant agreement

Consequences of errors for Beneficiaries:

✓ Non-optimal use of funding available
✓ Delayed payments
✓ Recoveries
✓ Liquidated damage etc.

To help you we have prepared a document containing the 10 most recurrent errors - published on CORDIS
1) **Costs claimed not linked to project and not substantiated.** All costs claimed should be real project costs.

2) **Sub-contracting** The use of sub-contractors should be identified in the Description of the Work as defined in Annex I of the Grant Agreement.

3) **Depreciation** Do not charge the full cost of equipment at acquisition.

4) **Indirect Cost Model** If a full cost accounting system is used then indirect costs claimed must be actual (neither estimated nor budgeted) and linked to the project.

5) **Indirect Costs - Ineligible items** Remove any ineligible items from the pool of indirect costs.
6) **Personnel costs** - Establish a correct hourly rate

7) **Hours charged to the project** Ensure a reliable time recording system for all employees charged to FP7 by activities: RTD, Management, Demonstration, Others

8) **Use of average personnel cost** - now permitted under certain conditions but if the criteria for the use of average personnel costs cannot be met, then actual costs should be declared

9) **SME owners** – May choose
   - Pay themselves a salary for their research work and claim as a cost under the FP7 project or
   - No salary and charge the Marie Curie flat rates

10) **VAT** - is ineligible – Please ensure that VAT is excluded from all cost claims *(non-recoverable VAT can however be considered an eligible cost)*
How to avoid common errors identified in cost claims

Guide to FP7 Financial Issues

And in case of doubts, do not forget:
RESEARCH HELPDESK http://ec.europa.eu/research/enquiries
Beneficiaries shall ensure that the work to be performed can be carried out by them.

Used as an exception: where it is necessary to subcontract certain elements of the work, this should be clearly identified in Annex I

Minor services may be subcontracted:
- which do not represent core elements of the project
- which cannot be directly assumed by beneficiaries
- where necessary for the performance of the project

Must be awarded according to the principles of best value for money, transparency and equal treatment

A beneficiary cannot be a subcontractor
Amendments

Only for major changes in GA or DoW (see article 36 of Annex II to the Grant Agreement)

- Request in writing by the coordinator following a template and accompanied by a complete package of supporting documents
- It is good practice that the draft text of the amendment letter and its annexes be discussed/revised in advance between the coordinator and the Project Officer
- Signed by the legally authorised representative(s) of the coordinator
- All beneficiaries shall inform the EC (via the coordinator and their LEAR) of any financial/legal change of their organisation which could impact on the Grant Agreement

Either the Commission or the Consortium can request
• The suspension of the GA (in case of temporary problem)
• The termination of a beneficiary’s participation
• The termination of the GA

A Beneficiary can
• Terminate his participation to the project with the agreement of the Consortium and the Commission
Familiarise yourself with all relevant documents and guidelines (GA and its Annexes)


Check that financial and legal conditions of your organisation comply with the Grant Agreement

Inform EC of changes (via the coordinator)

To the coordinator

Ensure that beneficiaries are fully familiarised with all relevant documents and guidelines

Monitor and manage the consortium (quality of work, resource use, timing and overall progress)

Inform EC quickly in case of major problems
Final Recommendations

 ✓ Ensure your **project delivers on time** - including timely submission of project reports and deliverables (Avoid need for GA amendments where at all possible)

 ✓ Ensure the **quality of project results** including all reports and deliverables (identify clear QA system as part of your management strategy - ISO standards exist)

 ✓ Explore clustering activities for added-value
Actively discuss, plan and promote the **uptake of project results**

- foresee barriers
- understand constraints
- consider issues related to standards, policy, training & education
- consider linking final meeting/workshop to relevant event in the field
- use different media to communicate to the public, policy makers, politicians and users
- protect, publish and use your results
Register as an Independent Expert

http://ec.europa.eu/research/participants/portal/page/experts
Thank you for your attention

We wish you a successful project!