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Financial rules for participation in FP7 – basic issues –

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Presentation Outline

- 1) The financial contribution from the EUROPEAN UNION
- 2) EC contribution
- 3) Conversion rates
- 4) Eligible costs
- 5) Identification of direct costs
- 6) Identification of indirect costs
- 7) Interest
- 8) Receipts
- 9) Financial audits and controls
- 10) Technical audits and reviews

(1) The financial contribution from the EUROPEAN UNION

- ▶ a) One pre-financing (upon entry into force) for the whole duration:
 - ▶ 60% up to 80% of the total EC in case 2 reporting periods or less.
 - ▶ 160% of the average EC contribution per period in case more than 2 reporting periods.
 - ▶ The single pre-financing has the following two limits:
 - ▶ the contribution to the Guarantee Fund (5% of the total EU contribution for the project).
 - ▶ Retention (10%) until the final payment.
- ▶ b) Interim payments based on financial statements (EC contribution= amounts justified & accepted *funding rate)
- ▶ c) Final payment - at the end of the project for the last reporting period plus any adjustment needed.

(2) EC contribution

Maximum reimbursement rates	Research and technological development activities	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%

**For beneficiaries that are non profit public bodies, secondary and higher education establishments, research organizations and SMEs

(3) Conversion rates

- ▶ 1. Recording in the beneficiary's accounting books of costs incurred in its currency (e.g. rupee).
- ▶ 2. Reporting costs in EUR in the Forms C submitted to the European Commission – mandatory.
- ▶ The daily exchange rates are fixed by the European Central Bank (ECB):
<http://www.ecb.int/stats/eurofxref/>

(4) Eligible costs

In order to be considered as eligible, costs must meet the following conditions:

- Actual
- Incurred by the beneficiary during the life time of the project
- In accordance with its usual accounting and management principles
- Recorded in its accounts
- Used for the sole purpose of achieving the objectives of the project
- Indicated in the estimated budget – ECGA, Annex I

(5) Identification of direct costs

1. Personnel costs
2. Travel and subsistence allowances for staff taking part in the project
3. The purchase cost of durable equipment
4. The costs of consumables and supplies provided they are identifiable and assigned to the project
5. Subcontracting
6. Certificate on the methodology and certificate on the financial statements
7. Conference fees

(6) Identification of indirect costs/overheads

- ▶ For all:
 - either actual overhead or simplified method
 - Standard flat rate of 20% of direct costs minus subcontracting and 3rd parties not used at the premises of the beneficiary.

- ▶ Special transitional flat rate (60% of direct costs minus subcontracting and 3rd parties not used at the premises of the beneficiary) can only be used if the following criteria are fulfilled:
 - Non profit Public Bodies, Secondary and Higher Education establishments, Research Organisations and SMEs
 - unable to identify real indirect costs.

- ▶ For CSA limit of 7% of direct costs (special transitional flat rate (60%) not allowed)

(7) Interest

- ▶ Advance payment remains the property of the Commission until the last payment
- ▶ Interests generated by the pre-financing must be reported by the coordinator if pre-financing > 50 000 EUR
- ▶ Interests generated by pre-financing transferred to other beneficiaries will not need to be reported
- ▶ Interests generated by the pre-financing will be offset against the subsequent payments and hence EC contribution will be reduced

(8) Receipts

- ▶ 2 kinds of receipts must be taken into consideration to avoid any profit:
- ▶ Transfers from third parties to the beneficiary (if specifically attributed to the project and not reimbursed):
 - Financial transfers
 - Contributions in kind
- ▶ – Income generated by the project (e.g conference fees)

At final payment the EC contribution will take into account any receipts of the project

For each beneficiary: Total eligible costs EC contribution +
Receipts for the project

(9) Financial audits and controls & technical audit

When : at any time during the implementation of the project,
up to five years after the end of the project,

The audits may cover:

- financial aspects
- systemic aspects
- other aspects such as accounting and management principles.

- Scientific aspects;
- Technological aspects;
- Other aspects relating to the proper execution of the project and the grant agreement.

- ▶ **Carried out by:**
 - The Commission or by any of its duly authorised representatives.
 - The European Court of Auditors

Contact:

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Thank you for your attention