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FP7 projects

KICK-OFF Meeting

iNTeg-Risk

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G2 « New Generation of Products »





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Presentation Outline

- **Expected impact**
- **Project organisation and progress control**

- **Grant Agreement structure**
- **Participation**
- **Signature and entry into force**
- **Consortium agreement**
- **Exceptional cases: subcontractors and third parties**
- **Amendments**
- **Guarantee Fund**
- **Reporting and payments**
- **Intellectual and Property Right**





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Topic: Integrated risk management in industrial systems

- **Key issues**
 - ➔ New risks / risk averse society
 - ➔ New safety paradigm
 - ➔ System complexity
 - ➔ Use of space
 - ➔ Population density
- **New safety concepts**
 - ➔ Technical
 - ➔ Human Factors
 - ➔ Organisational and cultural
 - ➔ Life cycle monitoring



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Activities Integration

- **Research**
- **Demonstration**
- **Technology transfer**
- **Standardisation**
- **Training**
- **International cooperation**



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Technology integration

- **Prevention and protection**
- **Intelligent systems**
- **Human-centred design**
- **Risk-based methods**
- **Impact assessment**
- **Environment and Health**
- **Data collection for underpinning risk assessment**
- **Risk monitoring**
- **Learning from accidents**



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Expected project impact

- New safety models
- Address both design and operation
- New safety technology
- Standards, services
- Cost efficiency
- A new lead market towards accident free production



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Project Organisation

- **Co-ordinator**
- **Project Management Board**
- **Project Technical Committee**
- **Task Leaders**
- **Exploitation Group - User Group**
- **Commission's Programme Officer**
- **Project Technical Advisor**



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Critical Success Factors

- Clear project programme with partners' roles well defined
- Progress follow-up and adaptation of work planning
- Partners' commitment to objectives and in-line with business strategies
- Effective technical and financial management and understanding between partners
- Total quality
- Sound exploitation plans and continuous follow-up of exploitation and dissemination



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Management by the Commission

- **Reports**
 - ➔ Periodic activity report
 - ➔ Periodic management report
 - ➔ Interim and Supplementary reports
 - ➔ Final Reports
 - ➔ Plan for using and disseminating knowledge
- **Task Deliverables and milestone reports**
 - ➔ Not physically delivered to the Commission unless requested. They should be ready for review or inspection.



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Management by the Commission

- **Meetings**
 - ➔ Kick-off meeting (avoid losing time at start)
 - ➔ Annual Review
 - ➔ Final meeting
 - ➔ Problem solving specific meetings
- **Criteria**
 - ➔ Objectives versus Achievements
 - ➔ Management and Collaboration Status, Financial Aspects
 - ➔ Exploitation and Dissemination of Results



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Project Procedures

- Consortium agreement
- Management bodies procedures
- Decision making procedures
- Quality control
- Project Manual to be prepared
- Web-site organisation



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The Grant Agreement

- **Structure:**
 - Core part
 - Annex I: DoW
 - Annex II: General Conditions
 - Annex III: Specific provisions for funding schemes
 - Annex IV, V & VI: Forms A,B & C
 - Annex VII: Form D terms of reference for the certificate of costs and Form E certificate on the methodology **(NEW)**
- **Consortium Agreement mandatory (except if excluded by Call)**

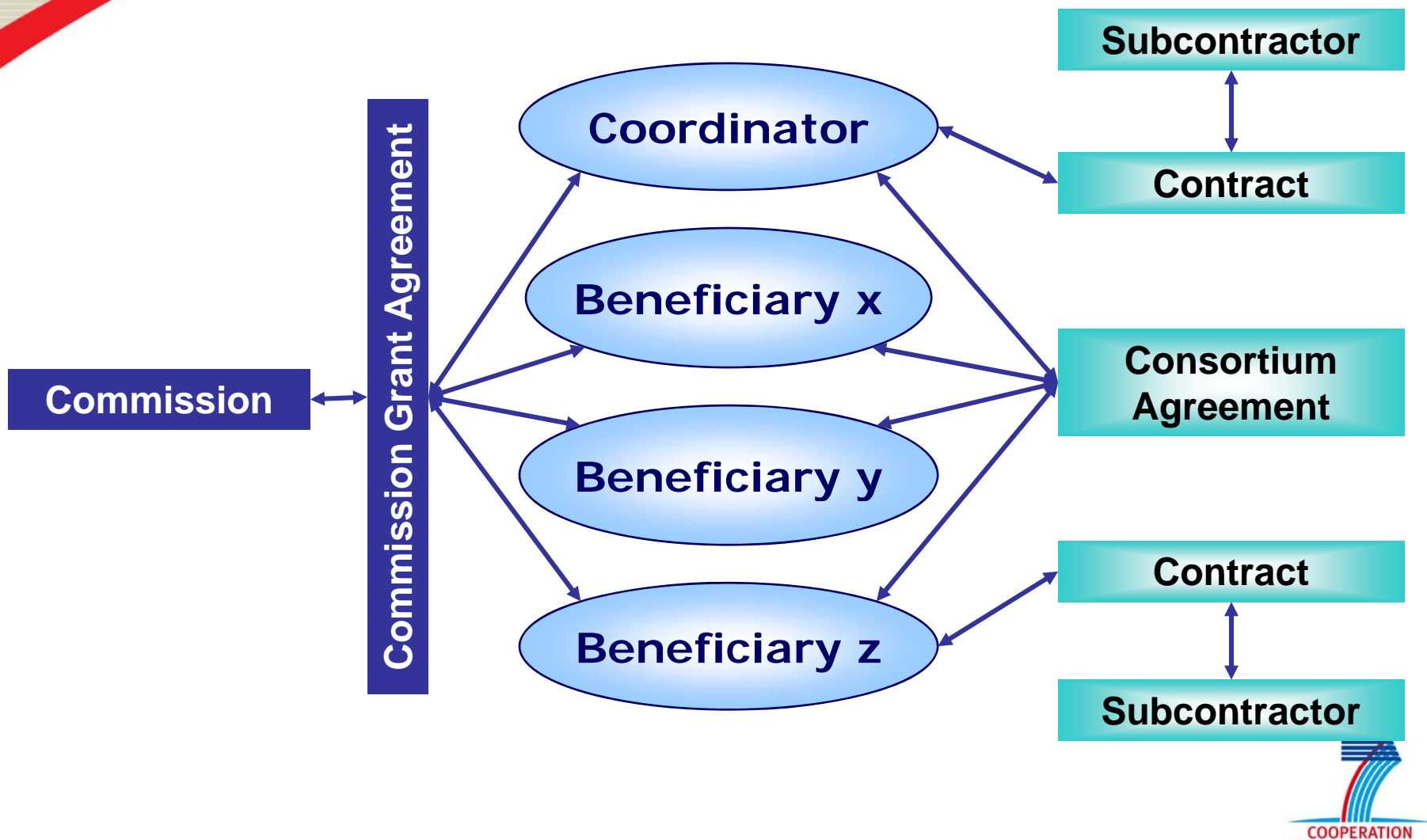




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Range of contractual Agreements





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Beneficiaries

- **General rule:**

PARTICIPANT=BENEFICIARY

Every legal entity contributing to a project must have a contractual link with the Community

- **Exceptional cases : subject to very restrictive rules**

- **Third parties**

- **Subcontractors**

Their participation must be clearly identified in the Annex I





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The Coordinator

Contractually, the Coordinator:

- Administers the EC Contribution
- Keeps the records and financial accounts
- Informs the EC of the distribution of Funds
- Reviews the reports to ensure consistency with the tasks foreseen
- Monitors the compliance of beneficiaries with their contractual obligations
- Must be financially viable

Coordination tasks cannot be outsourced





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Grant Agreement signature and entry into force

- All beneficiaries are contractually bound with the Commission.
- However:
 - ➔ Only the Coordinator signs the Grant Agreement.
 - ➔ The other beneficiaries must sign Form A within the period specified in the Grant Agreement (30/45/60 days).
- The Grant Agreement enters into force upon signature by the Coordinator and the Commission.
- The project begins on the date established in the G.A. (this can be before the Grant Agreement enters into force but usually later).





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Consortium agreement

- Defined by the Rules for Participation and the EC Grant Agreement
- Compulsory to be in place
- The European Commission IS NOT PART to the Agreement
- Exists once the Grant Agreement is in force
- Content under the partner's responsibility (only non-binding guidelines provided by EC) but must comply with the EC Grant Agreement
- A CA checklist is available on Cordis at:
http://cordis.europa.eu/fp7/find-doc_en.html





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Consortium Agreement

Complementary to Commission Contract

Key issues addressed in a C.A.:

- ✓ **Management**
 - distribution of funds (automatic or non-automatic)
 - internal organisation of work, internal reporting
 - evolution of the consortium
- ✓ **IPR (to be decided before signature of contract)**
- ✓ **Risk management / collective responsibility**
- ✓ **Decision-making process; quality**



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Subcontracting

- Beneficiaries are supposed to perform the work, as identified in Annex I, themselves.
- **Exception:**
 - ➔ Where it is necessary to subcontract certain elements of the work, this should be clearly identified in Annex I.
- **Full details need to be provided in Annex I including:**
 - TASKS,
 - ESTIMATED COSTS,
 - JUSTIFICATION FOR NEED TO SUBCONTRACT,
 - METHOD OF SELECTION (best price / transparency, equal treatment etc.)
- Cannot take place between beneficiaries
- Cannot be used to fund a legal entity that would not have been eligible for funding under the FP
- Coordinator's tasks cannot be subcontracted





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Third parties

- **Third parties carrying part of the work**

Affiliates and groupings (EEIG) carrying out part
of the work

special clause; tasks to be indicated in Annex I

- **Third parties making their resources available to a Beneficiary**

“Third parties”: to be indicated in Annex I
Costs may be claimed by the beneficiary





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Amendments (1)

- Regulated by art.II.36 of the Grant Agreement
- All the amendments to the Grant Agreement shall be in writing
- At the request of the coordinator (NB: legal representative has to countersign!), deemed to act on behalf of the consortium
- The request can be introduced at any moment before the final payment is made
- A request including more than one modification shall be considered as a package and, in general, shall be approved or rejected by the Commission as a whole





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Amendments (2)

APPROVAL OF THE REQUEST FOR AMENDMENT

- **GENERAL RULE:** The Commission shall undertake or reject any request for an amendment within 45 days of its receipt
- Any amendment to the Grant Agreement needs explicit approval of the Commission
- **EXCEPTION:** any evolution or modification of the consortium: tacit approval of the Commission within 45 days from receipt of a valid request.
- **Termination:** when the termination is requested without the beneficiary's agreement the « negative silence » rule applies





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Guarantee Fund (1)

- No financial collective responsibility
- **Instead: establishment of a participant's Guarantee Fund to cover risks - amount of 5% of EC contribution (*subtracted from the pre-financing*)**
- **“Technical responsibility” to carry out the project jointly and severally *vis-à-vis* the Commission still in place**





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Guarantee Fund (2)

- **The Fund belongs to all beneficiaries of grant agreements under the FP7**
- **All beneficiaries contribute to the Fund to insure against financial losses of the project**
- **The contribution equals 5% of the EC financial contribution foreseen for each participant**
- **Financial interest generated by the Fund will serve to cover financial risk**
- **In principle the amount contributed to the Fund will be reimbursed at the end of the final payment after the end of the project**





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Payment modalities

- One **pre-financing** (upon entry into force) for the whole duration
- **Interim payments** based on financial statements (EC contribution= amounts justified & accepted * funding rate)
- Retention (10%)
- **Final payment**





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Pre-financing and start of project

- **Pre-financing =**
 - ◆ **160% of the average EU funding per period.**
 - ◆ For projects with one or two reporting periods, the amount of the pre-financing could be between **60-80% of the total EC contribution**
 - ◆ Two limits:
 - ◆ The contribution to the Guarantee Fund - **5% of the total EC contribution for the project** - is part of the pre-financing;
 - ◆ A **10% retention** of the total EC contribution (*which will always be kept by the Commission until the date of the last payment*).



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Pre-financing

Examples

Project "A" with 3 reporting periods & **3,000,000 €** EC

Contribution:

- ◆ Average EC contribution per reporting period = **3,000,000 € / 3 = 1,000,000 €**
- ◆ Pre-financing (usually 160% of **1,000,000 €**) mentioned in Article 6 = **1,600,000 €**
- ◆ Contribution to Guarantee Fund: 5% of total EU funding: **3,000,000 x 5% = EUR 150,000**
- ◆ Net amount transferred to Coordinator: **1,600,000 – 150,000 = EUR 1,450,000**

Project "B" running for 18 months with one reporting period & **900,000 €** of EC contribution:

- ◆ Pre-financing (60% total **EC funding**) mentioned in Article 6 = **EUR 540,000**
- ◆ Contribution to Guarantee Fund: 5% of total EU funding: **900,000 x 5% = 45,000 €**
- ◆ Net amount transferred to Coordinator: **540,000 – 45,000 = 495,000 €**



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Reimbursement of eligible costs (1)

- ◆ Actual
- ◆ Incurred during duration of project
- ◆ in accordance with beneficiary's usual accounting and management principles
- ◆ recorded in the accounts of beneficiary
- ◆ used for the sole purpose of achieving the objectives of the project

➔ **Non-eligible** (identifiable indirect taxes including VAT...

Subject to approval of technical reports

Stated costs must be reasonable compared to work reported





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Reimbursement of eligible costs (2)

- Direct costs :
 - ➔ can be directly attributed to the project
 - ➔ No cost models (NEW) but all beneficiaries report all their real direct costs
- Indirect costs:
 - ➔ either actual overhead or simplified method
 - ➔ flat rate of 20% of direct costs minus subcontracting and 3rd parties not used on the premises of the beneficiary
 - ➔ For Non-profit Public Bodies, Secondary and Higher Education establishments, Research Organisations and SMEs (! **Definition of SME!!**) **unable to identify real indirect costs**, may apply for a flat rate of 60%* (until 31/12/09) for **funding schemes with RTD**
 - ➔ For CSA limit of 7% of direct costs minus subcontracting and 3rd parties not used on the premises of the beneficiary.





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Financial aspects

- Indication on cost categories in annual report
- Audit certificates
 - ➔ by external auditor (for public bodies - competent public auditor)
 - ➔ **per partner** depending on EC funding requested and on project duration



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Certificate on financial statements (CFS)

= Audit certificate in FP7

Mandatory for a **beneficiary** when its requested funding for the **project** equal or more than 375,000€

→ exception for project of 2 years or less, no intermediate CFS, but submitted only at the end

Who can provide these certificates :

- Qualified auditors (according to Directive 2006/43/CE repealing 8th Council Directive)
 - Independent
- (Public bodies, secondary and higher education establishments and research organisations may opt for a competent public officer)





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Certificate on financial statements (CFS)

- Example: A beneficiary in a project with a duration of 5 years:**

Claim No. Eligible Costs EC contribution@50% Cumulative amount for which a CFS has not been submitted CFS required

1	EUR 380,000	EUR 190,000	EUR 190,000	NO
2	EUR 410,000	EUR 205,000	EUR 395,000	YES (1)
3	EUR 500,000	EUR 250,000	EUR 250,000	NO
4	EUR 350,000	EUR 175,000	EUR 425,000	YES (2)
5	EUR 700,000	EUR 350,000	EUR 350,000	NO (3)

- (1) Cumulative EC contribution = EUR 190,000 + EUR 205,000 = EUR 395,000. A CFS has to be provided because cumulative amount > 375,000. After the submission of CFS, the calculation of the cumulative amount re-starts from 0 for period 3.*
- It is important to remember that the CFS has to cover the eligible costs for the two periods (EUR 380,000 + EUR 410,000 = EUR 790,000), and not just the EC contribution*
- (2) Cumulative EC contribution = EUR 250,000 + EUR 175,000 = EUR 425,000. A CFS has to be provided because the cumulative amount > 375,000. After the submission of the CFS, the calculation of the cumulative amount re-starts from 0 for period 5. The CFS has to cover the eligible costs for the periods 3 and 4 (EUR 500,000 + EUR 350,000 = EUR 850,000)*
- (3) EC contribution for period 5 = EUR 350,000 < EUR 375,000 therefore no need for CFS for the last reporting period*





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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**

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

For each beneficiary:

the eligible costs \geq EC contribution + the receipts for the project





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Costs

Breakdown between type of activity: Demo, RTD, Training, Management and Other activities

- ✓ Each cost must be recorded under the correct type of activity in order to allow easy verification of the costs (audit certificate)



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Reporting (1)

- Periodic reports **to be submitted by coordinator 60 days after end of period:**
 - ◆ Overview of progress of the work, including a publishable summary report,
 - ◆ Use of the resources and
 - ◆ Financial Statement (Form C)
- Final reports **to be submitted by coordinator 60 days after end of project:**
 - ◆ A final publishable summary report, covering results, conclusions and socioeconomic impact,
 - ◆ A report covering the wider societal implications and a plan on use and dissemination of foreground





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Reporting (2)

- **Commission has 105 days to evaluate and execute the corresponding payment:**
 - No tacit approval of reports
 - Automatic payment of interests (NEW)
- **After reception Commission may:**
 - Approve
 - Suspend the time-limit requesting revision/completion
 - Reject them giving justification, possible termination
 - Suspend the payment





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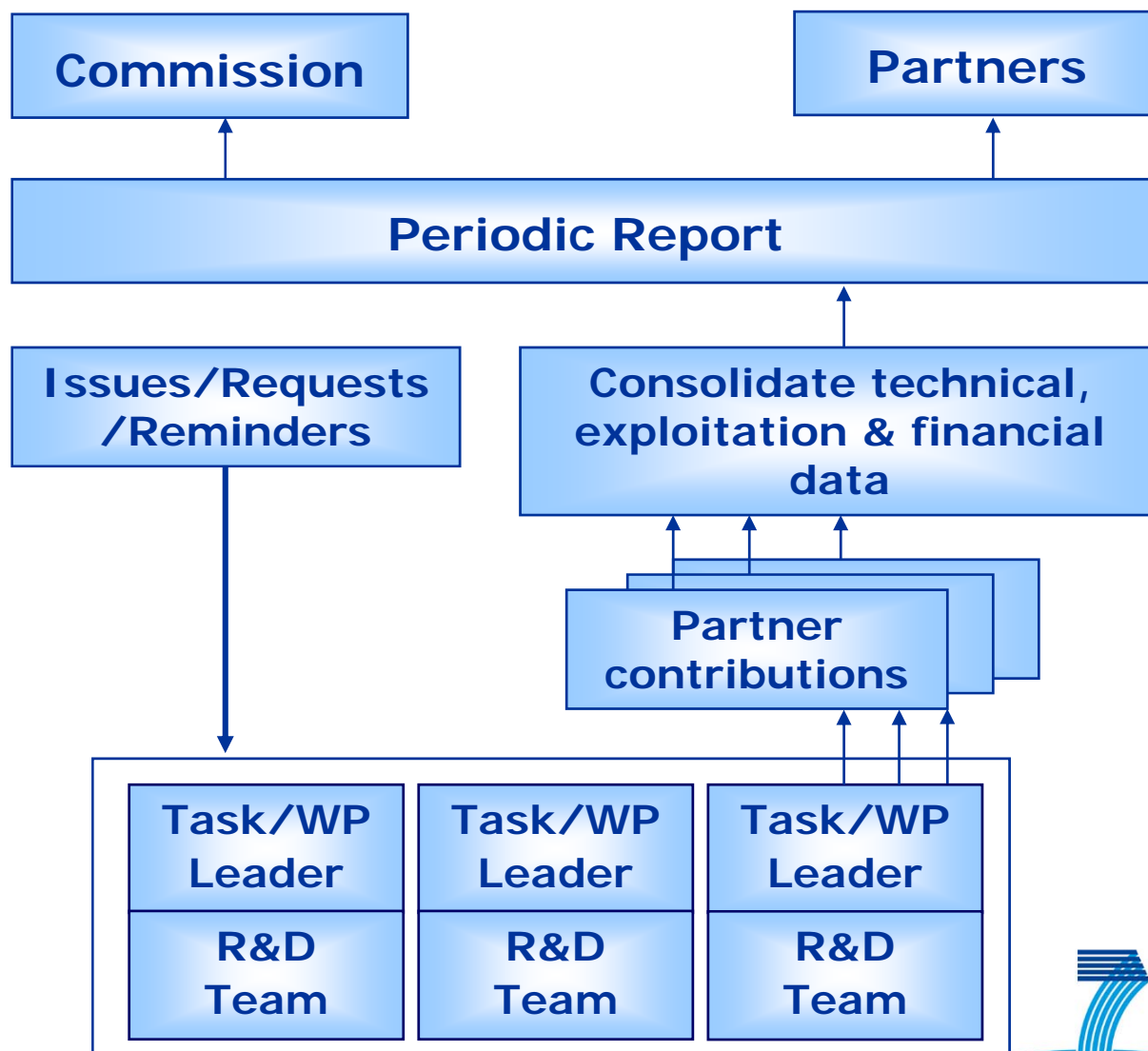
Report preparation procedure

**Respect
deadlines**

**Co-ordinator/
Project Office**

**Early reminders
about reports due**

Individual partners





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Audits and Controls

(Art. II.22 & II.23)

The Commission may at any time during the contract and up to five year after the end carry out **scientific, technological or financial controls or audits**

These controls and audits can be carried out by the Commission or by outside reviewers or auditors

In exceptional cases outside reviewers may be refused on the grounds of commercial confidentiality



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Sanctions

- **Recovery orders** (*for all or part of the payments*)
- **Liquidated damages** (*in case of financial overstatement*)
- **Financial penalties (if false declarations)**
Between 2% and 10% of the EC contribution





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Termination of the Contract or any beneficiary's participation (Art. II.38)

- ✓ The **beneficiaries** may request the **termination of the contract or of the participation of any beneficiary**
- ✓ Any beneficiary may request the termination of its participation in the contract
- ✓ The Commission may terminate the contract or the participation of a beneficiary



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Termination for breach of Contract and irregularity (Art. II.38)

The **Commission** may immediately **terminate**
the participation of a beneficiary, in case of:

- ✓ Breach of any obligation imposed by the contract
- ✓ Irregularity in the performance of the (or any) contract
- ✓ Contravening of ethical rules



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Confidentiality

All work done under the contract is confidential except general information and reports specifically intended for publication.

Confidentiality and respect of commercial or academic interests are necessary for effective collaboration.



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Rules for Intellectual Property (1)

- Ownership of FOREGROUND (art. II.26):
Resides with the beneficiary (incl. JRC) carrying out the work generating that foreground
Joint ownership generated by several beneficiaries: termes and conditions to be defined in separate agreements
- Transfer of ownership (art. II.27): prior notice of at least 45 days to other participants (possible objection within 30 days)
If the transfer is to third party established in a third country the Commission may object if:
 - ✓ the transfer is not in accordance of the interest of developing the competitiveness in European economy
 - ✓ is inconsistent with ethical principles or security considerations





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Rules for Intellectual Property (2)

- Protection (art. II.28)
 - ✓ Owners shall provide adequate and effective protection of foreground
- Use and dissemination (art II.29 & 30)
 - ✓ Obligation to set out the terms of use in a detailed plan for using and disseminating of the foreground
 - ✓ Prior notice of any dissemination activity at least 45 days to other participants (possible objection within 30 days)





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Access Rights (art II. 31.)

All request for access rights shall be made **in writing**

	Access rights to background	Access rights to foreground resulting from the project
For carrying out the project	<i>Yes, if a participant needs them for carrying out his own work under the project</i>	
	Royalty-free, unless otherwise agreed before signing the Grant Agreement	Royalty-free
For use purposes (exploitation + further research)	<i>Yes, if a participant needs them for using his own foreground</i>	
	On fair and reasonable conditions or on a royalty-free basis	On fair and reasonable conditions or on a royalty-free basis
	Possibility for participants to agree on exclusion of specific background of a participant from this obligation before this participant signs the Grant Agreement (or before entry of a new participant)	

TIMING TO REQUEST ACCESS RIGHTS:

- For implementing the project: until the end of the project
- For use purposes: until 1 year after the end of the project or the termination of the participant





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Information

- Find a document →

http://cordis.europa.eu/fp7/find-doc_en.html

- FP7 webpage →

<http://ec.europa.eu/research>

- Georgios.Katalagarianakis@ec.europa.eu





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Thank you for your attention

