



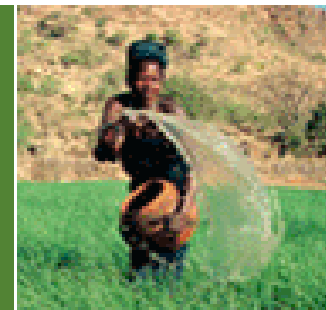
# Food-N-Co



## FP6 Financial basics

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## Outline

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- Reference documents
- Forms of financial contribution from EC
- Costs
- Cost reporting models
- Payment modalities



## Reference documents

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- **FP6 Financial Guidelines**
- Issued by the European Commission **(EC)**
- Regularly updated
- Latest version: February 2005 – 248 pages!
- Contents:
  - Regulations
  - Examples
  - Forms
- <http://cordis.europa.eu/fp6/find-doc-management.htm#finguid>



## Forms of Financial Contribution from EC

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- Public procurement
- Grant / Subvention
  - Flat rate financing / lump sum
  - Reimbursement of costs



## Public Procurement

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- ❑ Selection procedure: **Call for tenders**
- ❑ Objective: EC purchases goods or services for its own operation
- ❑ EC pays 100% of market price
- ❑ Project outcomes belong to EC
- ❑ Only used for some Specific Support Actions



## Grant / Subvention (1)

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- Selection procedure: **Call for proposals**
- Objective: EC supports “useful” actions
- EC **co-finance** up to 100% of **costs**
- Project outcomes belong to contractor



## Grant / Subvention (2)

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- Used in most FP6 “instruments”:
  - Network of Excellence (NoE)
  - Integrated project (IP)
  - Specific Targeted Research Project (STREP)
  - Cooperative Research (CRAFT)
  - Collective Research
  - Coordination Action (CA)
  - Specific Support Action (SSA)



## Flat rate financing / Lump sum grant

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- Lump (fixed) amount of money
- Used for:
  - Scholarships / Prizes
  - Training actions
  - Some Specific Support Actions (SSA)
  - Some Marie Curie Actions
  - Actions where EC contribution < 5000 Euros



## Grant / Subvention (4) Reimbursement of Costs

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- **Partial** reimbursement
- Reimbursement of “**eligible**” costs only
- 2 possibilities:
  - Network of Excellence -> **Grant for integration**
  - Other instruments -> **Grant to the budget**



## Grant / Subvention (5) Reimbursement of Costs

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- **Non-profit principle**
  - EC funding  $\leq$  100% total costs - receipts
- **Co-financing principle**
  - EC funding  $<$  100% total costs - receipts
- **Supplementarity principle**
  - Maximum public funding = 75% of budget



## Receipts

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- **Income** generated by the project
  - Entrance fees for conference
  - Sale of assets purchased under the contract
  
- **Financial transfers & contributions in kind from 3rd parties**
  - Specifically for the project
  - **AND** Not reimbursed to the 3rd party
  
- **Exception:** income generated in using the knowledge resulting from the project



## Grant / Subvention (6)

# Grant for Integration

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- For **Networks of Excellence** (NoE)
- Fixed grant calculated on:
  - Number of researchers (specific INCO provisions)
  - Joint programme of activities (JPA)
  - Characteristics of the research field
  - Degree of integration
- Grant payment:
  - Periodic pre-financing: advances
  - On the basis of achieved results vs. JPA (reports)
  - Condition: grant < expenses



## Grant to the budget

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- ❑ For **most FP6 instruments**
- ❑ **EC grant = Percentage of eligible costs**
- ❑ Percentage depends on:
  - Cost reporting model:
    - ❑ Full Cost (FC)
    - ❑ Full Cost Flat rate (FCF)
    - ❑ Additional Cost (AC)
  - Activity type:
    - ❑ Research, Development, Innovation
    - ❑ Demonstration
    - ❑ Training
    - ❑ Management
  - Instrument specific provisions, receipts, ...



## Maximum reimbursement rates

	<b>FC</b>	<b>FCF</b>	<b>AC</b>
<b>Research, development, innovation</b>	50%	50%	100%
<b>Demonstration</b>	35%	35%	100%
<b>Training</b>	100%	100%	100%
<b>Management</b> <i>Total management costs = maximum 7% of total EC grant</i>	100%	100%	100%

**Full table: EC Financial Guidelines, page 6**



# Grant to the budget

## Eligible costs (1)

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### □ Cumulative conditions:

- Actual (real) costs
- Economic costs
- Necessary for project implementation
- Incurred during project duration
- Determined & recorded in contractor's accounts following contractor's usual accounting principles

### □ Ineligible costs:

- Any cost not fulfilling **all** of the above conditions
- Indirect taxes: **VAT**, duties, ...
- Interest owed, Exchange losses, ...



# Grant to the budget

## Eligible costs (2)

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### □ Eligible costs

= **Direct costs** + **Indirect costs**

### □ Direct costs:

- "costs directly attributed to the project"
- Ex: staff, material, equipment, travel

### □ Indirect costs (overheads):

- "costs related to direct costs attributed to project"
- No indirect costs on subcontracting
- Ex: secretariat, building rental & maintenance,...



## Eligible costs (3)

# Subcontracting

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- Derogation
- Subcontracting = direct eligible cost if:
  - Task cannot be performed by contractor
  - **AND** Task is necessary to the project
  - **AND** Task is not a core element of the project
- Selection procedure:
  - In compliance with contractor's national legislation
  - Transparency & equal treatment
  - Best price-quality ratio
- No indirect costs



# Grant to the budget

## Eligible costs (4)

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- Indirect costs = **percentage** of direct costs
  - Actual (real) percentage
  - Lump percentage - > 20%
  
- Choice depends on **Cost reporting model**:
  - Full Cost (FC): actual percentage
  - Full Cost Flat rate (FCF): lump percentage
  - Additional Cost (AC): lump percentage
  
- **Exception**:  
Specific Support Actions - > lump percentage



# Grant to the budget

## Cost reporting models (1)

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- 3 ways to **report costs** to the EC:
  - Full Cost reporting model (FC)
  - Full Cost Flat rate reporting model (FCF)
  - Additional Cost reporting model (AC)
  
- **Choice** of Cost reporting model depends on:
  - Legal Status of contractor
  - Accounting principles of contractor
  
- A contractor uses the **same** cost reporting model for **all** FP6 contracts (1 possibility to change)



# Grant to the budget

## Cost reporting models (2)

Do I have the **accounting capacity** to identify the **direct AND/OR indirect** costs related to the project?

Type of legal entity	Accounting capacity to distinguish direct & indirect costs	AC	FCF	FC
Physical persons	Not applicable	*		
Non-commercial or non-profit organisations Public or Private International organizations	NO	*		
	YES (direct costs) NO (indirect costs)		*	
	YES		*	*
Small & Medium Enterprises	Not applicable		*	*
Other legal entities	Not applicable			*



## Full Cost reporting model (FC)

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- Costs to report to the EC:
  - **Actual** (real) **direct** eligible costs
  - **Actual** (real) **indirect** eligible costs
    - Indirect costs = X % of direct costs
    - X to be calculated according to usual accounting principles of the contractor
- Forbidden for physical persons
- Available if sufficient accounting capacity for:
  - Public or Private non-commercial or non-profit organisations
  - International organizations
  - SMEs
- Mandatory for big commercial companies



## Full Cost Flat rate reporting model (FCF)

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- Costs to report to the EC:
  - **Actual** (real) **direct** eligible costs
  - **Lump indirect** eligible costs
    - Indirect costs = **20 %** of direct costs
- Forbidden for Physical persons
- Available if sufficient accounting capacity for:
  - SMEs
  - Public or Private non-commercial or non-profit organisations
  - International organizations



## Additional Cost reporting model (AC) (1)

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- Additional costs:
  - Marginal costs compared to normal recurring costs
  - Costs not covered by any other source of funding
- Eligible personnel costs under AC model:
  - Permanent staff whose contract depends fully or partly on additional external financing
  - Management costs
  - Temporary staff working specifically for the project

- Exception:

Actual management costs are eligible (-> no indirect costs)



## Additional Cost reporting model (AC) (2)

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- Costs to report to the EC:
  - **Additional direct** eligible costs (except management)
  - **Lump indirect** eligible additional costs
    - Indirect costs = **20 %** of direct costs
    - No indirect costs on management direct costs
  - **Actual direct** eligible **management** costs
- Mandatory for Physical persons
- Mandatory if **unsufficient** accounting capacity for:
  - Public or Private non-commercial or non-profit organisations
  - International organizations



# Grant to the budget

## Payment modalities (1)

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- EC grant = maximum that can never be exceeded
- Exception: additional EC grant by supplementary calls for proposal to:
  - Cover new activities
  - Expand the consortium
- $EC\ grant \leq total\ eligible\ costs - total\ receipts$
- EC Grant paid by EC to Coordinator
- Coordinator distribute EC grant to contractors:
  - Without unjustified delays
  - According to contractor's budget share



# Grant to the budget

## Payment modalities (2)

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- Periodic pre-financing system: advances
- 1st pre-financing:
  - 85% of budget for 1st 18 months
  - within 45 days to date of entry into force of the contract
- Next pre-financings bound to EC approval of periodic reports
- Pre-financing:
  - belongs to EC
  - potential debt for the contractor
  - turns into **settled payment** after report approved by EC



**Thank you for your attention**

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