



# **The European Union's Framework Program 6**

**Version 0.3**

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7 Feb 2005

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## **Version 1**

# **Comments to Myer@EFPConsulting.com**

Version 1 Published Feb 2005

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## Preface to Version 1

This book follows on from a similar treatise I produced dealing with IST in Framework Program Six. This book is much shorter in length but broader in scope as it deals with the entire program and not just a specific subset. It does not contain any detail of the technical content of the various thematic priorities as they are well covered in the various Workprograms.

Why did I write it? – Is there insufficient material by the Commission? In presentations I usually say that the problem is there is too much official information scattered across many documents. Thus, this book tries to combine the essence in a single place. I also often say that the Commission documentation describes the legal framework, not how to participate. It is akin to expecting that reading the Highway Code will teach you how to drive a car. This is a complementary document that should be seen as a practical guide to the program.

The book is a guide aimed at Senior Management staff in organisations wishing a broader background on the European Union's Sixth Framework R&D as well as at consultants to those organisations. However the initial chapters one, two and three can stand alone and give an overview suitable as an introductory text. It is primarily aimed at Commercial organisations, but three quarters of the content also applies to Academic Institutions and other non-commercial potential participants.

Bear in mind that the program content and the rules are under continual revision and reinterpretation. There is also a significant difference in how the common rules are interpreted by different CEC Directorate Generals. Ensure that all specific information is double checked with the current official documentation before being acted on.

Finally, I would like to thank my daughter, Dana Remes, for her helpful comments and corrections and my wife Shoshana for her patience and understanding.

7 February 2005  
Yavne, Israel

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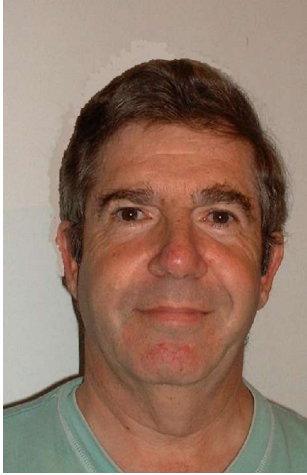
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Publisher and Author: Myer W Morron (Myer@EFPConsulting.com)  
IST Program Series  
The European Union's Framework Program 6,  
Version 1



## Author Brief CV

Mr Morron is a graduate of the University of Glasgow where he studied Pure Science as well as Computer Science from 1960 - 1965. He has a broad technical background but specialised in software engineering, especially operating systems and supercomputer architectures. He has worked in these fields in the US, UK and Israel.



Currently he is CEO of EFP Consulting, a company set up in 2002 to combine both Financial and Technical/Administrative as well as training support for organisations interested in participating in the Framework Program. In addition to an impressive array of satisfied clients EFPC itself is participating in six different EU funded projects - being coordinator of one.

Until recently Myer was IST Director at ISERD, the Israeli body responsible for managing the Association Agreement with the EU on behalf of the Israeli government. He represented the State of Israel on the IST Management Committee for the duration of FP5 and continued this role in FP6. He also represented the State of Israel on the Research Infrastructures Committee. As part of his job he coordinated all Israeli activity in the IST and RI parts of the Framework Program including the NCP activity in those areas. He was part of the team that negotiated the FP5 Association Agreement and then a member of the EC-Israel Research Committee that oversaw the operation of that Agreement. Mr Morron has been involved with IST and its predecessor programs from their inception in 1984 and has acted both as a project manager in many key projects as well as an evaluator and an external expert.

Prior to joining ISERD, Mr. Morron held various Senior Technical and Management positions for Computer and Telecommunications Manufacturers. The main companies he has worked for include Control Data (US and Israel), ICL, STC and Nortel (UK) and Elbit (Israel).

During the past twenty five years his work has concerned the development and successful market exploitation of new and emerging technologies and standards with an emphasis on Open Standards and joint collaborative projects. He has consulted and presented extensively in IT related issues, including for the CEC, US DoD, UK MoD, NATO and Standards Bodies ECMA, ISO, CEN, NIST and ETSI.



# 1 Overview

## 1.1 Background

### 1.1.1 *The Framework Program*

The European Union Framework Program Six Research and Development Program is a follow-on to the Framework Program Five.

Historically, each Framework Program runs for four years. The first programs started in the early eighties and they were gradually combined into a single Framework Program, but initially they were not known as "Framework Programs". That term was only applied retroactively to the early programs.

Due to a French Initiative in the mid-late eighties another pan-European Program, originally seen as complementing the Framework Program, called EUREKA was formed. Its rules and conditions are substantially different from Framework and rely on funding from the involved countries directly being given to their own participants under country specific rules. EUREKA is a bottom up program compared to Framework, which is definitely top down in structure and implementation. However under FP6 the intention is to leverage this dual investment and by FP7 the two programs should be more integrated.

### 1.1.2 *Reasons for Framework Program*

But why does the European Union fund R & D and what is the intention? In the early eighties it became apparent that European high tech industry was under extreme threat from both Japan and the US.

At that time several key industries such as computing, microelectronics and telecommunications were seen to be in serious jeopardy. It was also believed in Europe that US competitors benefited both from a large homogeneous home market as well as indirect subsidies from the US government to its high tech industry, mainly as a spin off of defence funding. Together, this was thought to give US players a major competitive advantage as compared to the fragmented European industry. It was not seen to be any lack in innovation in Europe, but the inability to exploit it world-wide. Many of the key innovations being directed at Europe from North America were seen to be based on originally European innovations. There were other incidents that also raised worries in Europe such as Intel and Motorola deciding to be more restrictive in the licensing of their microprocessor designs.

With respect to Japan, it was also thought that protective trade practices as well as co-ordination and funding from MITI, allowed Japan to establish a dominant place in what was then seen as the brown goods market.

All of the above resulted in several longer term threats to Europe that can be seen as falling under the following categories –

- Commercial – it would result in an increasing imbalance in trade, especially in the high technology, high added value industries. This could have long term disastrous effect on European industry and standard of living via negative impact on exchange rates and inflation.
- Social – there would be a negative impact on employment, especially in the employment of graduates, who in ever increasing numbers would be forced overseas – the so called "brain drain".
- Security – the longer-term reliance of European military and security forces on imported technology was of major concern. For example without a successful commercial modern silicon fabrication facilities, sensitive components and systems would all have to be imported. A classic example is military crypto chips.

In the early eighties, we could already see some effects that would only get worse with time. For example, European computer manufacturers were becoming completely reliant on non-European sourcing of memory chips. It was noticed with frustration that any time there was a specific chip shortage, US suppliers tended to favour the US computer manufacturers, making European manufacturers' situation even worse.

Of course, more recently additional reasons have been emphasised for the Framework Programs, such as:

- 1) Promotion of European Unity
- 2) Encouragement of Industry consolidation in Europe
- 3) Support for industrial and social policy i.e. political reasons

Such reasons are post hoc rationalisations and though desirable effects, were not the original reasons. The last reason above has become much more pronounced in FP6 some say is becoming more of a political program than a technological one.

### ***1.1.3 The Nature of the Framework Program***

The nature of the research programs is top down i.e., the specific technical areas to be funded are predefined. Other topics would not be eligible for funding. The Commission states many times that the goal of the framework is only to address about 5 - 10% of European Union industrial research – the rest is funded by individual countries or companies. The only topics available for funding are those covered by the “Workprogram” and which attempt to go beyond current state of the art and have a believable exploitation plan. That is, the results must be marketable with an expected market size commensurate with the cost/investment.

Because projects are expected and required to extend the state of the art, there has to be identifiable risk and the Commission sees the funding as being an offset for this risk. This is an important point – a project that cannot complete because of valid technical reasons should not be treated as a failure – it only demonstrated that a particular approach is not practical at this point.

Another critical criterion for a valid project must be that it demonstrates that there is significant added value or likelihood of success by addressing the project at the European level. This is the so-called “subsidiarity” criterion. This states that work better done at the local level should not be carried out at the European level. This concept of “subsidiarity” is important to understand and to address.

A final critical criterion for the new types of project introduced in FP6 must be that there is a significant strategic impact of the proposed work.

## **1.2 Technical Content**

Framework Program 6 has a relatively complex structure under the following three high level categories:

- 1. Focusing and Integrating Community research***
- 2. Structuring the European Research Area***
- 3. Strengthening the Foundations of the European Research Area***

### ***1.2.1 Focusing and Integrating Community Research***

This is the main R&D focus of the program. It consists of seven priority thematic areas plus a broader eighth priority, namely:

1. Life sciences, Genomics and biotechnology for health;
2. Information society technologies;
3. Nanotechnologies and Nanosciences, knowledge-based multifunctional materials, and new production processes and devices;
4. Aeronautics and space;
5. Food quality and safety;
6. Sustainable development, global change and ecosystems;
7. Citizens and governance in a knowledge-based society.
8. Specific activities covering a wider field of research
  - 8.1 Supporting policies and anticipating scientific and technological needs
  - 8.2 Horizontal research activities involving SMEs
  - 8.3 Specific measures in support of international cooperation

### **1.2.2 Structuring the European Research Area**

This funds efforts to underpin the pure R&D part. It consists of:

1. Research and innovation
2. Human resources and mobility
3. Research infrastructures
4. Science and society

### **1.2.3 Strengthening the Foundations of the European Research Area**

Activities to step up the coordination and support the coherent development of research and development policies in Europe. They provide financial support for measures such as the opening up of national programs.

## **1.3 What is an Associated State?**

It was agreed in the eighties that European States that had not yet joined the then European Community could participate in the Framework Program. In the Nineties, these so called European Economic Area (EEA) states reduced as they gradually joined the EU. For Framework Programs the Four, Five and Six they consist of Norway, Iceland and Liechtenstein. The EEA states have an Association Agreement with the EU Framework Program.

An Associated State, contributes financially to the Framework Program and consequently has all the rights and obligations of a member State in respect of funding. They should be treated identically. There are only two minor differences, one is with respect to meeting the minimum number of participants and the other is their representatives do not have a formal vote at the Program Management Committees.

In Framework Program Five, subsequent to the ratification of the Association Agreements of Israel, Norway, Iceland and Liechtenstein, agreements were concluded with the "Pre-accession States" of Eastern Europe. This resulted in the Framework Program Five having fifteen Member States and fifteen Associated States. Of course, Israel is the only non-European Associated State. In FP5, these Pre-accession States were also referred to as "Newly Associated States" – NAS. Ten of them joined the EU on 1 May 2004 and are now referred to as New Member States (NMS). An additional three states (Romania, Bulgaria and Turkey) are now referred to as Associate Candidate Countries (ACC) and their status in FP6 is upgraded so they are treated as member states from the start of FP6. Finally, in Jan 2004, Switzerland concluded an Association Agreement and their status is now similar to that of Israel. Appendix 1 gives more specific data on this. Some other non-European countries have Science and Technology Agreements with the EU, but they only participate on a "project by project" basis. Funding for some third countries may be available.

## **1.4 Overview of rules of participation**

### **1.4.1 The Workprograms**

Each technical area of the Framework Program has what is called a Workprogram. This outlines the basic strategy and priorities for the planned research. They then detail each sub area. The information includes:

- Technical description of the research required
- The appropriate instruments
- Approximate budget for each area
- Indication of when calls for proposals will be issued and closed
- Content of each call by technical area.

It is normal for each program to issue two Workprograms; one covering the first two years of the Program and a second, being a revision addressing the second two years.

### **1.4.2 Calls for proposal**

The Workprograms for FP6 are generally at a higher level than in FP5 with much less detail and much more focus. The content of the Workprogram is subdivided into Strategic Objectives or activity areas with

more details on the "focus" at a lower level. In FP6, it has been decreed that a quarter of the total budget be opened each year, thus the first calls in general used the 2003 budget and the second, 2004 budget. i.e. two years budget being committed in the first year. A fixed deadline call is one that closes on a stated date and time. With the evaluation occurring shortly afterwards. However there are also Continuous Calls, that remains open for several years with proposals being batched and evaluated every four months or so. The IST Future and Emerging Technologies Open scheme (FET) falls into this category.

### **1.4.3 Nature of proposals**

Proposals for R & D are always made in consortia. These consortia are notionally "self forming". One member of the consortium is designated as the Coordinator and it is their job to put together the proposal and submit it to the Commission as required. Generally, if the proposal is accepted, the Coordinator will be expected to become the project Coordinator and thus be responsible for overall project management. In FP6 it will be possible to take on a partner who would carry out the administrative co-ordination and/or project management functions. This is different from FP5. Sub-contracting these activities would not be permitted. Further details of the proposal can be found later on in Section 3.5 "Proposal preparation and submittal".

### **1.4.4 Nature of Consortia**

For an R & D proposal there must be a minimum of three partners from three different countries, two of whom must be a Member State of the EU or an Associate Candidate Country. The rules are different for each instrument and they are summarised in the following table -

Instrument	Minimum members	Typical number	Typical funding in €M	Typical duration in years
Integrated Project (IP)	3	8 – 20	6 – 25	4
Network of Excellence (NoE)	3	6 – 20	5 – 8	2 - 4
Specific Targeted Research (STREP)	3	4 – 8	1 – 3	2 – 3

The overall funding of a proposed project can vary from say half a million Euros to a hundred million Euros. The majority of Specific Targeted Research Projects will have total funding of from one million to around three million Euros. Virtually no projects will get more than 25 MEuro in funding. People always ask questions such as "how big should a project be" or "how many partners should we have"? The standard answer is always "as large as is required and can be justified to carry out the work and commensurate with the expected impact."

### **1.4.5 A quick look at the funding rules**

All funding is a grant, which is not repayable. Payments are annual in advance corrected annually by cost statements of actually incurred expenses and 15% of final year is retained until the final report has been accepted. Because of agreements between the partners in a specific project, specific companies may not actually get cash in advance, the money being held for them by the project coordinator.

As in other aspects of these programs there is no simple rule. However as a general guideline:

- Universities can get back all their directly incurred costs plus a contribution of 20% to their overheads. In this mode permanent faculty staff time will not be funded.
- Larger Companies will get back at least all of their marginal labour and other direct costs and 50% of any subcontracts. Smaller companies will get significantly less because they can justify far less overheads.

### **1.4.6 Advance payments**

Unlike previous Framework programs, normally advance payments can be made every year via the Coordinator to each partner based on their budget for the next period. For STREPs it may be 24 month or other determined period. The Coordinator must forward each partner his share without any deductions for

handling etc. Note that it is inappropriate for partners to invoice the Coordinator for their payments as they are contractually required to be forwarded directly. There is a danger if you do issue an invoice that it will be liable to VAT, which is not a recognised allowable expense. The payment rules between the partners may be varied by the Consortium Agreement.

#### ***1.4.7 Who can participate?***

The program is open for funded participation to any legal entity in a Member or an Associated State. A legal entity can be a company, a university, a research institute, a government department, a not for profit entity or an individual. There are also opportunities for participation (sometimes with funding) for organisations outside above countries. These opportunities for so called third countries are broader in FP6 than previously.

### **1.5 Benefits of participation in a R&D project**

Intuitively when most companies first hear about this program they regard it is a source of finance. This is a basic misconception. Although activities are well funded, the money should not be the main reason to participate. It may however, be a valid reason for a research or academic institution. See Appendix 4 for a discussion on how best to quantify the relative benefits of participation.

The types of benefit can be classified as follows -

1. Development of advanced technology
2. Access to advanced technology
3. Collaboration with key players
4. Collaboration with key customers
5. Access to a new market
6. Access to a new geographic area
7. Development of an international standard
8. Marketing and/or technological intelligence
9. Funding for something you were planning to do

#### ***1.5.1 Development of advanced technology***

This is notionally the main aim of R&D projects and it must be written in this way. The goal being to advance the state of the art in a Pan European manner. However, there are usually further reasons as to why an organisation participates. These are detailed below.

#### ***1.5.2 Access to advanced technology***

Organisations generally do not develop and supply complete solutions to customers. They carry out less and less of the development from scratch. They have their own special niche of expertise but require to embed this in a full system or purchase or access complementary technology. It is most effective for companies to concentrate on their special high added value area and either buy in the balance or OEM to a higher level.

Participation in one of these projects is an ideal opportunity to establish or further relationships with others in your product chain.

#### ***1.5.3 Collaboration with key players***

Smaller companies very often find it difficult to enter markets and one way is to establish a working relationship with key players. Such a relationship is also a helpful in many other ways. For example if it is a company aim to sell a strategic share to a major player, this is an ideal way.

#### ***1.5.4 Collaboration with key customers***

By this I mean potential end users. The end user could be a major player or say a network of end users. As they are also funded, this is an easy way to expose your technology and future products to potential buyers

and customise it for a specific market with external funding.

### ***1.5.5 Access to a new market***

It may be that an organisation is well established in a particular market segment but is unknown in another to which their products could also be well suited. Joining or forming a consortium with players from that new market is a possible way to become known and established in that market as well as providing a good opportunity to fine-tune and adapt to its requirements.

### ***1.5.6 Access to a new geographic area***

This is similar to the previous one but allows the use of a project to establish key relationships in a specific geographic area - which is often an important business consideration.

### ***1.5.7 Development of an international standard***

A proportion of projects deals with the eventual creation of new standards. Participants, would normally address a specific area where such a standard would facilitate future deployment or exploitation in a broader context from a European perspective. The EU has a tradition in the standards arena of using European Standards Institutions as a springboard to International Standards to the advantage of EU industry. A project could research, prototype and trial a particular solution prior to introducing it and supporting it through standardisation. This provides a significant benefit on its eventual adoption as such organisations will have a head start on others and may through tying the standard to previous IPR, force competitors to pay them royalties.

Although standards in themselves are not mandatory, the European Commission has frequently mandated particular standards for public procurement to the advantage of European industry. This has to be seen in the light of the US employing similar tactics for many years.

### ***1.5.8 Marketing and/or technological intelligence***

This should not be the main reason to participate but in several cases it can turn out to be the most valuable result. Even the process of researching the area within the program prior to identifying a suitable subject to propose on may result in valuable information on what the leading players in the market are doing. This info is available on-line in the synopses of running and previous projects in your area. In addition to the synopsis, there is also detailed information on the participants and expected results.

Later on in trying to set up or join a consortium when you get involved in direct discussions with potential partners, there is further opportunity. Of course, if a project is approved it not only gives you access to inside information on your partners activities but because of project clustering there are plenty of opportunities for broader information in your market or technology sector.

### ***1.5.9 Funding for something you were planning to do***

Finally, there are of course the financial benefits of participation. As mentioned previously, it should not be the goal of your participation if you are a commercial organisation, but it is an obvious additional incentive, especially if it allows you to fund work that otherwise you couldn't undertake or to have work funded that you were going to do anyway.

## **1.6 Reasons not to participate**

It may seem peculiar to find this section, however on many occasions the best advice to an organisation is not to pursue this program further. The principal reasons are below -

### ***1.6.1 Work is not a natural fit into the Workprogram***

It may be that the proposed work is not clearly covered by a single Strategic Objective in the Workprogram after double-checking with the Commission. What is worse is that it may overlap between multiple Workprograms. It is also possible that the nature of the work does not take forward the technological state of the art in your selected area. In those cases do not try an unnatural fit - this rarely



succeeds.

### ***1.6.2 Time-table does not fit***

As Technical topics sometimes do not reappear in successive Calls for Proposals, if you just miss the call that best suits you, you should check if it is worth while to wait for another year or even more for the next opportunity to participate in that area.

### ***1.6.3 Time to market is unsuitable***

There is a necessity for many checks and balances in the commitment of such large sums of public money. This results in a delay in excess of six months from close of the call for proposals before the work can start. In the fast moving world of high technology, such a delay may result in the loss of a window of opportunity and thus be an unsuitable vehicle. The program is best suited to longer-term work of a potential breakthrough nature that could open up completely new market opportunities.

### ***1.6.4 Project is too secret***

Although all proposals are submitted and dealt with under strict non-disclosure rules, it may not be strict enough for some types of proposed work. For example, the evaluators are of necessity experts in that area and a large percentage will be from companies dealing with this and therefore perhaps competitors. Although they have to sign strict non-disclosure and non-conflict of interest documents, for something very sensitive, I would be careful. In addition, the Project Officers and staff at the Commission frequently have come from major companies or are only on three-year contracts and will return perhaps to competitors and again, their confidentiality has to be viewed with some care. I have no reason to believe that any such significant leaks have occurred, but for highly sensitive things one needs to be careful.



## **2 Framework Program Six Highlights**

### **2.1 Project management**

- 1) Changes in the project management structure
- 2) Ability to change partners in ongoing projects
- 3) Consortium Management costs up to 7% of total at 100%, balance at activity rate
- 4) Ability to assign some administrative management tasks to sub-contractor
- 5) Ability to have coordinator that only handles financial and/or project management

### **2.2 New Instruments**

The project types were designed for variable needs. The aim of the Integrated Projects was to have a broad strategic impact by results that improve industrial competitiveness or provide solutions to social problems. The Networks of Excellence aimed to create virtual centres of excellence and encourage diverse European resources to integrate their activities. Article 169 as often called, is planned to tighten the links with national research.

All new project types were designed to give researchers more freedom and responsibility. The participants may decide on project implementation changes more independently than before. Specifically, the new instruments are:

- 1) Integrated Projects
- 2) Networks of Excellence
- 3) Article 169

### **2.3 Traditional instruments**

- 1) Specific Targeted Research Projects (STREPs)
- 2) Coordination activities (CA)
- 3) Specific Support Actions (SSAs)

Each use new forms of contracts

### **2.4 Contractual Highlights**

- Proposals are now submitted without signatures, even for coordinator
- Industrial participants now have “collective responsibility”
- Minimum number of partners is three
- More autonomy for project consortia
- Contracts allows projects to begin when Coordinator and Commission have signed
- Advance payments to consortium can be made annually – not only for first year
- Interim cost statements can now be regarded as final. Final cost statement can only cover last period.
- Contractors must use their normal financial systems to calculate costs and not an imposed one
- Cost categories have been eliminated
- FCF model has fixed overheads at 20%
- AC Cost Model for Academics and similar
- Audit certificates are required for all cost statements, to speed up the payment process
- Management costs will be fully paid at 100% of full cost to a limit of 7% of EC contribution, balance at activity rate
- Mandatory Consortium Agreements

#### ***2.4.1 Collective responsibility of the participants***

The technical implementation of the project will be the collective responsibility of the participants. Each participant will also be liable for the use of the Community financial contribution in proportion to his

indicated share of the project up to a maximum of the total payments it has received. Should a participant breach the contract and should the consortium not make good this breach, the Commission may, as a last resort and if all other approaches have been explored, hold the participants liable under the following conditions:

1. Independently of any action it may take against the defaulting *participant*, the Commission will require the remaining participants to implement the project.
2. Should the implementation be impossible or should the remaining participants refuse to comply with 1, above, the Commission may terminate the contract and recover the Community financial contribution. When investigating the financial disadvantage, the Commission will take into account the work already undertaken and results obtained, thereby establishing the debt.
3. For that part of the debt established according to 2, above, that is owed by the defaulting *participant*, the Commission will distribute it among the remaining participants on the basis of each *participant's* share of the expenses accepted and up to the amount of the Community financial contribution each participant is entitled to receive.

Where a *participant* is an international organisation, a public body or a legal entity whose participation in the project is guaranteed by a Member State or an Associated State, this participant is solely responsible for its own debt and will not be expected to bear the debt of any other participant.

#### 2.4.2 Intellectual property rights

The rules regarding the protection, dissemination and use of knowledge have been **simplified** and a larger **flexibility** is granted to the participants:

- rules are identical for all participants;
- rules concentrate on the principles and provisions considered necessary for an efficient cooperation and the appropriate use and dissemination of the results;
- participants may define among themselves the arrangements that fit them the best within the framework provided in the model contract.

It should be noted that the same rules are intended to apply, where relevant, to all instruments used for implementing FP6.

#### Summary of access rights

	Access rights to pre-existing know-how	Access rights to knowledge resulting from the project
<b>For carrying out the project</b>	<u>Yes, if a participant needs them for carrying out his own work under the project</u>	
	Royalty free unless otherwise agreed before signing the contract	Royalty free
<b>For use purposes (exploitation) further research</b>	<u>Yes, if a participant needs them for using his own knowledge</u>	
	On non-discriminatory and reasonable conditions to be agreed	Royalty free unless otherwise agreed before signing the contract
	Possibility for participants to agree on exchange of specific pre-existing know how of a participant from this obligation before this participant signs the contract or before the entry of a new participant	

## 2.5 Proposal Highlights

- Proposals not signed, even by Coordinator
- Part B of R&D Proposals are not anonymous
- Short listed proposers of NoEs and IPs are invited to appear before evaluators' panel

- From 2005 in most programs, only on-line electronic proposal submittal is permitted

See section 3.5 for details of proposal content.

## **2.6 Networks of Excellence**

The Networks of Excellence are intended to gather top research institutes to collaborate in one virtual centre of excellence. The network must have a joint program of activity which will facilitate the integration of the institutes. The NoE must also carry out actions supporting integration and dissemination of expertise.

The measures that support integration refer to close virtual and physical collaboration, personnel exchange and the development or use of common resources. The dissemination of expertise can consist of the training of researchers from outside the group and dissemination of information on achievements.

The networks are selected on the basis of a call for proposals and gathered around the core group. The EU funding may amount to several Million Euros a year. The amount of money depends on the network's own input. "Grant for integration" is a cost principle developed for the Networks of Excellence. The principle is: the more you integrate, the more you receive funding. The participants sum up the resources they have integrated and the Commission grant is based on the number of researchers in the network when the call formally closed. See Section 4.4 for a more detailed review of NoEs.

## **2.7 Integrated Projects**

Integrated Projects are defined as being extensive, independent and ambitious. Integrated Projects should have a common research objective and Workprogram. The project can also decide on its operation independently. It could organise calls for proposals to select additional participants. Projects can be divided into sections that are independent of each other to some extent. However, there must remain a connection between the sections. Therefore, the projects demand a good coordinator and strong management.

The focus of the Integrated Projects can, however, also include demonstration, technology transfer or training of researchers and/or potential users. The Commission funding covers each sub-project at the rates and rules appropriate to that activity. An Integrated Project may receive up to several million Euros a year. The projects are selected on the basis of calls for proposals.

There must be enough participants in the Integrated Projects to obtain sufficient critical mass for the matter. The minimum is from three countries. In practice, the projects will certainly be larger. Some may be 5-7 MEuro funding and others 15-20 MEuro funding for example. Each potential coordinator should verify what size is anticipated in that specific Strategic Objective.

See Section 4.3 for more details on Integrated Projects.

## **2.8 Specific Targeted Research Project**

This is a continuation of the RTD projects used under previous Framework Programs. See Section 4.2 for more details on STREPs. However they are subject to the new contractual conditions.

## **2.9 Article 169**

The third new project type proposed by the Commission refers to common programs shared by the several Member States. The research topics are born out of national programs. Workprograms are drafted for the common programs, and they publish common, parallel or mutually co-ordinated proposal requests. Whenever necessary, common infrastructure can be used or developed.

Article 169 of the Treaty forms the basis of operation. All Member States have approved it in principle,

even though it has never been applied in practice. The programs based on Article 169 will be accepted through a joint decision procedure. Both European Parliament and the Council of Ministers must approve them. The decision-making system is slow, wherefore the number of such projects will probably remain low. An initial list of six topics for Article 169 projects has been agreed. However only one is currently being actively considered.

## 2.10 Coordination Action

This is a continuation of the Thematic Networks projects used under previous Framework Programs. They are aimed at bringing together e.g. manufacturers, users, universities, research centres around a given Science and Technology objective. These include co-ordination networks between Community funded projects. Support will cover a maximum 100% of the eligible costs necessary for setting up and maintaining such networks. See section 4.5 for further details.

## 2.11 Specific Support Actions

These are actions that contribute to the implementation of specific programs or the preparation of future activities of the Program. They also prepare for or support other indirect RTD actions (financial participation: maximum of 100% of total eligible costs). The following types of Accompanying Measures are generally supported: Studies, Dissemination and Awareness actions and Training actions. As well as support to conferences, seminars, workshops or exhibitions are part of a call for grants that has been already published. See section 4.6 for further details.

## 2.12 SME Status

On the surface not too much appeared to have changed but the implications for SMEs are more negative under the new FP6 rules. Most people did not appear to realise the implications. I can categorise the changes under the following aspects, some positive but most negative. However, I believe there are ways of side-stepping some of those problems and perhaps benefiting. The Commission claims to have addressed SME participation concerns in several ways:

- 1) SME involvement as part of evaluation criteria
- 2) Suggesting SME groupings or associations to participate as a single entity.
- 3) Provision of specific SME measures Co-operative and collective research. See 4.7 for details.

The problem with both, use of Associations and the SME measures, is that they seem to be aimed at so called low tech SMEs. See below. Despite this, it is clear that FP6 is also much less conducive to low tech with the removal of the stand alone take up instrument.

### 2.12.1 Types of SMEs

It is important to distinguish between two distinct categories of SMEs. The first is the High Technology SME. These are the “engine of innovation”. Usually being set up by several scientists and business men to develop and exploit an innovative idea or invention. Mostly they attract venture capital and the successful ones go on to have an IPO and may get listed on stock exchanges etc. A large percentage fail, either financially or technically but in my view mostly through incompetent business management or ignorance of the investment community. Those that survive mostly are eventually taken over by the big industry players and very few survive independently to grow into sector leaders in their own right. Large companies do not nurture the high risk innovative climate to be able to come up with the occasional major break through. The industry norm is to take over SMEs in order to acquire new technology. This tendency does complicate things for SMEs early on in the innovation cycle – see 2.12.5 and 2.12.6 below. We can distinguish between types of SME by the following attributes -

Attribute	Low Tech SME	High Tech SME
Activity	Innovation	RTD

<b>Potential Role</b>	End user or exploiter	Technology/solution provider
<b>Period of involvement</b>	Mainly second half	From beginning
<b>Type of project</b>	Application trial	Enabling/application technology
<b>R&amp;D capability</b>	None or very limited	High
<b>Suitability for RTD project</b>	Medium	High

The vast majority of SMEs however are low tech. These are the small manufacturers, retailers and service companies. They do not possess any in house R&D capability. However it is important for the general economy that they adopt leading edge technologies to remain competitive. So they have to be encouraged to take up latest technology.

SME opportunities per instrument are seen as follows –

<b>Instrument</b>	<b>Low Tech SME</b>	<b>Note</b>	<b>High Tech SME</b>	<b>Note</b>
<b>IP</b>	As an end user	Medium	Technology contributor	Major
<b>STREP</b>	As an end user	Medium	Technology contributor	Major
<b>NoE</b>	None	--	Management, dissemination, technology transfer, training	Minimal direct involvement with research itself

### **2.12.2 Funding rules for SMEs**

The FCF model in FP6 has affected SMEs by decreasing the recognised overheads without justification from 80% to 20%. On the positive side, the overhead now applies to all expenses except sub-contracts and not just labour as in the past. It is also possible to include non-technical staff such as administrators etc., directly working on the project. However, this still would leave most SMEs far short of the previous funding levels. On the other hand, I believe if an SME chooses the FC model, it should be possible to exceed FCF funding levels in most cases. I understand that even for micro-companies. i.e. 5 or 10 staff it should be possible to come up with a model that could justify overheads of more than 20%. I know that some accountants are able to come up with a legal creative model to maximise benefits of FC usage by SMEs. I wish they could make it freely available.

### **2.12.3 Opportunities for High Tech SMEs**

High Tech SMEs have many possibilities for participation as they have strong innovative R&D capabilities. As the inclusion of SMEs is now part of an evaluation criterion, I had hoped this will enable the more stable and mature of them to participate. However, the way this evaluation criterion is worded it doesn't really favour High Tech SMEs. For those that are already involved with some of the major players either directly as part of their supply chain or indirectly, it should be much easier.

### **2.12.4 Opportunities for Low Tech SMEs**

The role of low tech SMEs has generally either been as end users for new technology. This is a major blow for low tech SMEs. However, where appropriate Take up is possible within IPs, but towards the end of the project. But a further blow is that this new type of Take-up is considered under Innovation; which is only at the 50% rate. So this does not offer much immediate help for them.

### **2.12.5 SME Financial viability issues**

Given that an SME has found a suitable project opportunity, its financial viability will come under question. Even though the Commission says it has eliminated the need for this, it has only transferred the risk to its industrial partners and still exists for coordinators. Thus one would expect potential partners to undertake such checks and perhaps require guarantees. This raises other potential problems such as

commercial secrecy. **The best way to resolve this issue would be if some third party would insure against the failure of any partner.** The cost of any such insurance would be 100% recoverable under the management costs. It is unclear what the insurance companies would require by way of security. However even this is not being uniformly applied with some Commission Units still involving themselves in financial viability checking of individual partners.

#### ***2.12.6 Domination by large companies***

The issues raised in 2.12.5 has the spectre that IPs will be dominated by the large industrial companies who would only allow in SMEs that they already work with and so it has been in many areas in the initial calls of FP6. However as I remark elsewhere, I don't see major problems for the larger SMEs to coordinate IPs in most of the technical areas. However, in practice, this does not seem to have happened.

#### ***2.12.7 Implication of non-monolithic IPs***

A way for large organisations to appease the SME requirement would be also to proclaim in the proposal that suitable SMEs would be added in say after two years in an internal call for additional participation. However, that would normally only apply to low tech SMEs as I would expect the high tech ones to make a contribution from the beginning. In any case the costs involved in having an internal call will detract from the R&D funding and no one sees a problem in identifying SMEs at proposal time. In the first two calls only one or two IPs have availed themselves of this option.

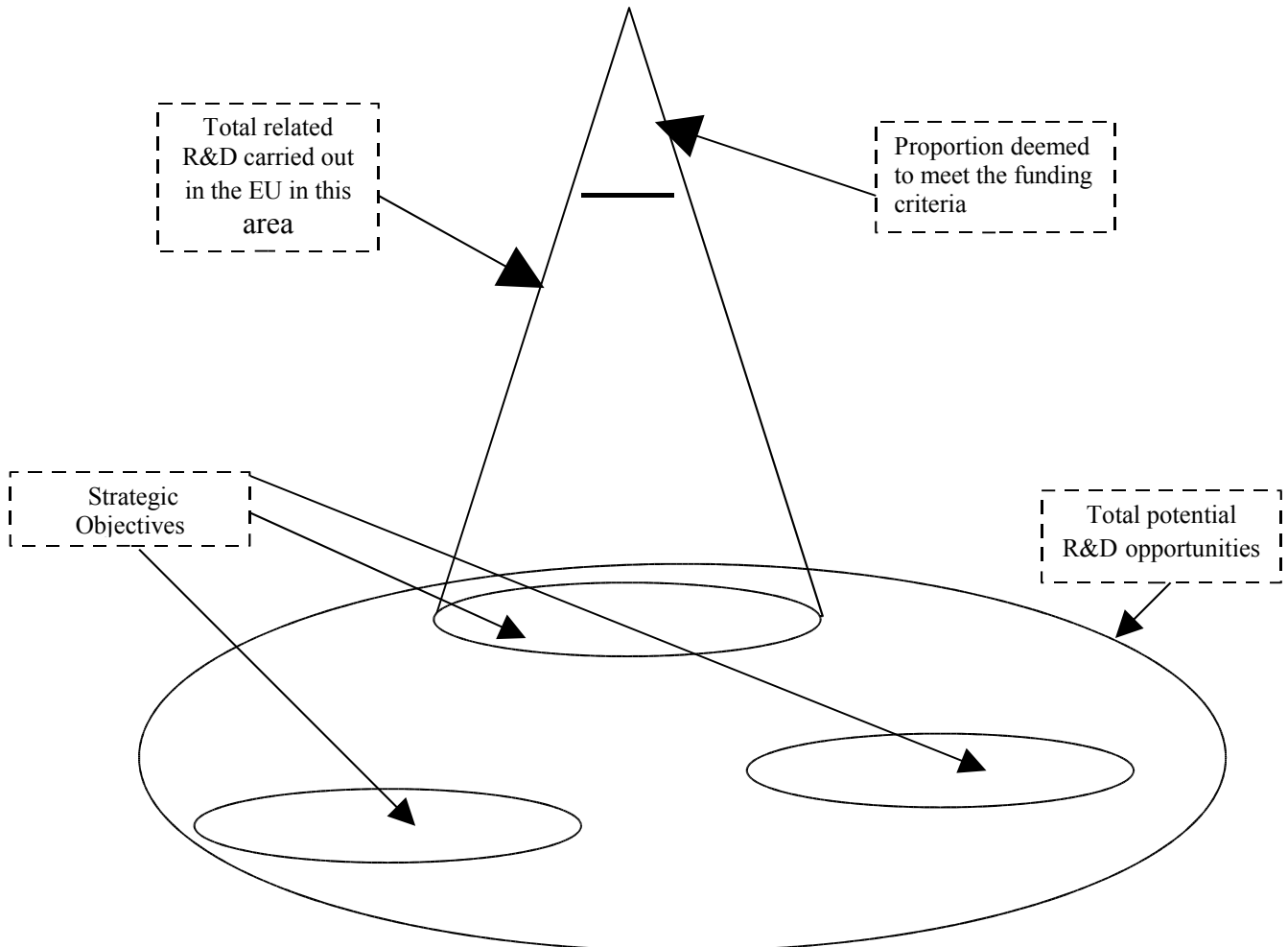


### 3 Formal process

#### 3.1 Workprogram

The overall process is driven by the Workprogram and more specifically, the Strategic Objectives or Activities within. The initial Workprograms covered two years but have been replaced for the second two years.

The Workprogram is always a top down document. Not all possible technologies in any specific field are included. The intention is to focus this funding onto selected key enabling and application technologies. This is illustrated below.



After identifying your reason for planning to participate, the first step for potential participants is to examine the Workprogram and identify which specific Strategic Objectives are of potential interest and which topic within. You should also know as soon as possible which type of project would be most appropriate. It is usually necessary to attend a specific information event either held in your home country or some central event in Brussels or elsewhere to understand the thinking behind the items and to discuss your ideas. Because of the type of language, it is not always obvious what they are actually looking for, especially to newcomers. Some Units publish on their web site an expanded version of their section of the Workprogram or other background documents. Again it is important to verify if such a document exists in your area of interest.

#### 3.2 Deciding to Propose

There are many considerations to take into account and I hope that the rest of this chapter will assist in the decision. However there are some specific items about suitability as follows

### 3.2.1 *R&D Proposals Suitable for FP6*

- Work that is clearly in the scope of a call
- Work that is clearly within the scope of required instrument
- Longer term project with large potential impact (Current Generation Technology plus two)
- Work that advances the state of the art
- Clear technological risk
- Does not repeat work currently underway
- Establishing business relationships in EU
- Can wait for six to twelve months to start funded work
- Project funding appropriate for instrument

### 3.2.2 *R&D Proposals Unsuitable for FP6*

- Where only seeking funding source
- Something that needs to start now
- Does not clearly advance the state of the art
- Product development/lower risk (Current Generation Technology plus one)
- Lacks clear market or strategic impact
- Anything outside Workprogram scope
- Anything that is extremely secret
- Where you don't need to collaborate
- Where you could do all the work in-house

## 3.3 Calls for Proposals

When the Strategic Objective and correct instrument have been identified and validated the proposal submittal timeframe should be clear. The Workprogram identifies the planned dates for each Strategic Objective. Note that these dates are only for guidance and can be changed by up to a month in either direction. There are two key dates per call – the opening date and the closing date. They are generally at least three months apart. Tenders may be shorter (they are outside the scope of this document) and some may be much longer – especially those involving so called third countries.

The absolutely **key date is the closing date**, as proposals submitted after this date will not be evaluated. The significance of the opening date is much less – it is the date when the notice of the call is published in the Official Journal. Its contents are available as drafts from national coordinators several months prior to it being published and in any case all the relevant information is in the Workprogram. However, when the call is formally opened, various other needed administrative documents such as the various Proposer Guides are also published. **It is a mistake to wait until a call is formally opened to start to work on a proposal** – it is probably too late already.

*The Idealist project conducted a survey early 2003 among IP coordinators and found that 2/3s of consortia had been basically formed prior to the first call being issued. Although they could accept additional partners after that, the core team had already formed<sup>1</sup>.*

## 3.4 Partner Search

Finding suitable partners is key not only to achieving your business goals in the project but also it is key to having a successful proposal and eventual project. It is also the single biggest problem for newcomers to the Program. It must be seen as an initial bootstrap process. Once you are participating in a project, it is much easier to get into further projects. In fact it is sometimes too easy and many are sucked into some

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<sup>1</sup>[Paul Drath Published in Proceedings of eChallenges-2003 conference 22-24 Oct. 2003, Bologna, Italy. "Building the Knowledge Economy. Issues, applications, case studies". Ed. by Paul Cunningham, Miriam Cunningham and Peter Fatelirig. IOS Press, Ohmsha, 2003] How research project co-ordinators choose partners for IST proposals

projects that, on reflection, they perhaps should have avoided given the scarcity of skilled manpower. Each potential participation must be closely reviewed in the context of your organisation to check the cost/benefit of participation.

Thus prior to initiating a partner search the business reason for your participation must be clearly understood - this allows you to judge, from a business perspective, whether a potential partner is an asset or not.

One has to remember that most consortia consist of many participants. Only one can be the Coordinator. Thus for every Coordinator there are perhaps say twelve additional contractors, depending on instrument. We find that small companies with an innovative idea always want to be the Coordinator. This is not usually a good idea. See 3.4.1 below for a discussion on the reasons. In FP6 it is not really possible in IPs because of the financial and resource requirements.

The way to go about the partner search depends on whether you plan to co-ordinate and thus you are looking for partners to join in the realisation of your idea - this we refer to as a Type A search. However if you are looking to join some one else's proposal as a participant - this we call a Type B search. We have recently introduced the concept of a Type C. This is a Type A search where the originator does not want to coordinate and is also looking for a coordinator for his idea.

### **3.4.1 To co-ordinate or not**

This decision is also dependent on the particular instrument. IPs and NoEs require much more consideration as the respective management effort and commitment is much higher than the traditional instruments.

The benefits of being the Coordinator of a project can be summarised as follows -

- Appointment of the Project Manager
- Direct contact with the Commission and their staff
- Overall control of the project direction and budget
- Chairing of the Project Management Committee
- A de facto preferential position with respect to exploitation and rights
- Easier access to the 100% funded management budget
- Better visibility and publicity

However, there are offsetting potential drawbacks -

- More manpower required for management and administration but they can be 100% funded
- There is a corresponding executive level commitment required
- Better knowledge and experience of the process and procedures required
- More management attention required

I advise companies to co-ordinate if the following is true -

- The project is strategically important
- It is basically your idea
- Your organisation has multinational project management experience
- You have a suitable Project Manager
- Your company is established for several years and is financially secure
- You have previously participated in a EU project (not mandatory if your organisation is a major world player and of sufficient size and stature)

This last point is for the evaluators - who in assessing the proposal would expect reassurance that the potential Coordinator can carry out the work successfully.

Note that in the above, only fairly large financially solid companies should consider coordinating an IP, whereas smaller ones could coordinate STREPs, CAs or SSAs. Companies, in general should not really be involved in NoEs. See later sections.

**However, if you do not fit above criteria but the project is strategically important and you are the driving force, then you should submit as Coordinator and perhaps hand over this to a partner during negotiation stage with the Commission.** You could then in the Consortium Agreement ensure that you are essentially still in the driving seat and even provide the Project Manager and/or the Technical Director. If you do plan to submit as Coordinator, ensure that you do not say that your company is only two years old and has three staff. Only document your strengths.

Proposals have failed because from looking at the participant list and the split of funding and resource, it is frequently clear who the major contributor is. If it is not the Coordinator, the evaluators may, quite correctly question the commitment of that player, not only to the project but to exploiting the results.

There have been cases of companies preparing a proposal but submitting it via a partner as the coordinator. It passed evaluation but with some comments to cut back the project to a certain extent. The result was that the coordinator threw out the originating partner. Remember that the coordinator of a proposal is in a unique position to dominate the contract negotiations.

### 3.4.2 *Type A*

You are originating the idea. You plan to coordinate the proposal and the resulting project and are looking for suitable partners. It is possible to act during partner search as a Type A but subsequently when you gather a group of partners to hand over the co-ordination to someone else, assuming everyone is agreeable. This is a useful way to try to progress your own idea without incurring the overheads of Coordination or if your organisation is not a suitable Coordinator for one of the reasons above. Traditionally, the cost of preparing a proposal and submitting it as a Type A organisation could come to €20,000 in your own costs and those of contracted consultants or it could be as little as five or ten thousand; it all depends on your own abilities and experience. However, with the new instruments, the costs could now be several times this. One should consider spreading it across a core group of organisations that would share the work and costs and in return have a more significant role in the resulting project. i.e. set up a core team of partners.

There are many possible ways to carry out a Type A search. However there follows a list of methods in the order you should examine them. Frequently a Type A search is used to publicise an organisation's interest with a view to handing over coordination to a more suitable partner.

1. Via contacts during existing project (if you have one)  
This is the absolute best method but only if you already have a project. For first time participants it of course doesn't apply. This is important. Getting your first project is by far the most difficult. Once you are in, other projects come more freely. For example Concertation Events are held for participants in projects by technical area to discuss mutual issues and this is an ideal forum to forge new alliances and generate ideas for a new project.
2. Via your own technical/business contacts in Europe  
This is of obvious business advantage. However it is always better not to have too many organisations new to the Framework Program in any single proposal.
3. Via participation in a related European industrial or trade association.  
In some areas such groupings play key roles in formulating the ideas for the program in cooperation with the Commission.
4. Via CORDIS partner search  
On this online database you can record the type of project you wish to undertake,

the type of partners you are looking for and the Strategic Objective you wish to submit under. However this database although large contains a lot of extremely general and usually out of date information. Most of the major players do not use it. Try it, but don't rely on it. One of its major drawbacks is that there is no quality control over its content and thus many organisations put in very general entries that cover almost all technical areas. This means that when you scan it you pick up many organisations that in reality have little to offer in your specific area.

5. Via the Expression of Interest data base

In May/June 2002, the Commission requested ideas for IPs and NoEs. Details on some of the response can be found at [http://eoi.cordis.lu/search\\_form.cfm](http://eoi.cordis.lu/search_form.cfm) This is a useful place to look for suitable contact people. However there is no guarantee that the idea will prove successful. In fact there are two major problems with these specific EoIs. The first is that they are invalid for the instruments stated. Most IP ideas are better seen as scaled up RTD proposals. The second is that the subjects were decided before the draft Workprogram was published and thus they do not align with the Strategic Objectives. So take them purely as a statement of interest and not as valid ideas necessarily. Also remember that it was possible to request anonymity for an EoI and I would think that the best ones did. Thus searching this data base may well not reveal who the most likely winners may be. This EoI exercise is unlikely to be repeated in FP6.

6. Via a partner search network

Such as IDEAL-IST in the IST program or Partners for Life in the Life program or via your local IRC.

7. Via participation in previous projects

This is an extremely effective way to identify potential partners. There are online searchable databases that contain synopses of all current and previous projects by technical area. These also identify the participants. So it is possible for example to find all previous projects in a specific area for a named organisation and identify the point of contact in the organisation for each project. Or it is possible to search for all previous projects by some technical key words and identify the participants etc.

8. Via contacts at Commission sponsored events or Information Days

Each technical area or Strategic Objective has a Project Officer in charge in Brussels and it is beneficial to try to meet him either in Brussels or at some event. This is useful to discuss potential ideas to see if they are in scope or perhaps to seek advice on potential suitable partners. Project Officers will informally frequently suggest particular organisations.

9. Via participation in a European Technology Platform activity

This is a new type of activity for the second half of FP6 that will lead into FP7.

10. Via technical area specific activities

Some technical areas have their own partnering mechanism. These can be best identified via the activity specific web site.

Of course in practice, most successful searches end up being a combination of several of the above.

An important point is not to disclose too much in a partner search. If you use CORDIS or Idealist or some other search mechanism, the goal is to identify potential partners, not to justify your idea. All too often too much detail is disclosed that could give assistance to potential competitors. In other words mention the "what" not the "how". Be discrete.

### 3.4.3 Type B

You wish to participate in a project that someone else is co-ordinating. You have specific technology and/or capability to contribute and are looking for a suitable proposal. This is the best way to "bootstrap" your organisation into the program. Also remember that there is only one Coordinator per project; so this

is by far the most common type of Partner Search. Even when your technology is the key essence, it may well be that your contribution could be as Work Package leader in a larger project, where your speciality is a contributing element. One person's system is another person's component.

The way to go about it appears very similar to that of Type A above, but the detail is different as explained in the following recommended list of approaches.

1. Via contacts during existing project (if you have one)  
This is identical to point 1 under 3.4.2 above.
2. Via your own technical/business contacts in Europe  
This is of obvious business advantage if you have some that are not new to the Framework Program and you enquire if they are aware of opportunities of potential mutual benefit.
3. Via participation in a related European industrial or trade association.  
This is identical to point 3 under 3.4.2 above.
4. Via CORDIS partner search  
This is identical to point 4 under 3.4.2 above.
5. Via the Expression of Interest data base  
This is identical to point 5 under 3.4.2 above.
6. Via a partner search network  
This is identical to point 6 under 3.4.2 above.
7. Via participation in previous projects  
This is an extremely effective way to identify potential partners. There are online searchable databases that contain synopses of all current and previous projects by technical area. These also identify the participants. So it is possible for example to find all previous projects in a specific area for a named organisation and identify the point of contact in the organisation for each project. Or it is possible to search for all previous projects by some technical key words and identify the participants etc. For a Type B, this can be used to identify Coordinators.
8. Via contacts at Commission sponsored events or Information Days  
This is identical to point 8 under 3.4.2 above.
9. Via participation in a European Technology Platform activity  
This is a new type of activity for the second half of FP6 that will lead into FP7.
10. Via technical area specific activities  
This is identical to point 10 under 3.4.2 above.

Of course in practice, most successful searches end up being a combination of several of the above.

#### **3.4.4 Due Diligence**

You are about to embark on what is a business relationship with some organisations. If the organisations are not well known to you, it is always an excellent idea to check up on them, especially if they have had previous projects in the Framework Program. It is possible to find out informally if they completed it successfully. In essence verify that they would be an asset to you - not a liability. Remember that the industrial contractors to an EU RTD contract have collective responsibility. In practice, the Commission enforces this beneficially if you undertake work in good faith. i.e. they will not generally sue you if a partner defaults.

The overall key point in any kind of Partner Search is "***Try to work with proven winners***".

#### **3.4.5 Memorandum of Understanding**

Given the completely new form of contract and the devolved management of FP6 projects, I would suggest that every potential participant to a proposal sign an MoU that would outline the ground rules for the Consortium Agreement. If this is not done well before proposal submission then it leaves too many

issues unresolved and also leaves the various parties open to major misunderstandings and manipulation.

For IPs and NoEs I would suggest that a core team be identified and they conclude this MoU between them. It should basically cover the main points of the Consortium Agreement as outlined in 7.2 with details of how the Agreement will be settled. It also seems to be useful to ensure that no party has a conflict of interest by being involved in a rival consortium submitting on the same subject. I see the following as potentially part of an MoU:

1. Non-disclosure agreement
2. Non-competitive clause i.e. competing consortium
3. Status in consortium i.e. "Core" partner or not
4. Role in consortium
5. How to handle financial viability check and who pays
6. Access to the 7% management at 100%
7. Notional level of participation
8. Identification of background IPR
9. Any relevant issues regarding generated IPR
10. Any relevant exploitation issues

### **3.5 Proposal preparation and submittal**

Proposals are prepared and usually submitted by the Coordinator or his agent. Proposals for R&D are always made in consortia. One member of the consortium, is designated as the Coordinator and it is their job to put together the proposal with the assistance to a greater or lesser extent of the other partners and submit it to the Commission as required. Generally, if the proposal is accepted, the Coordinator will be expected to become the project Coordinator and thus be responsible for overall project technical direction, as well as administration and management.

There are now only two ways to prepare and submit a proposal, as follows –

- 1) Off-line preparation using EPTool, followed by on-line submission via EPSS – see 3.5.4 below
- 2) On-line preparation and on-line submission using EPSS – see 3.5.5 below

EPSS is the Electronic Proposal Submission System and EPTool is the Proposal Preparation Tool that is part of EPSS or can be used off-line by itself. Note that use of EPSS or EPTool requires Internet Explorer 5 or higher, Netscape 7 or Opera 7.

**Remember, the Coordinator is the one who has to operate EPSS. If you are not the Coordinator, he will send you an A2 form to fill in, and ask for your contribution to part B as well as your estimated man months, man rate, cost model, budget and requested funding.**

Sections 3.5.1 and 3.5.2 below describe the content of proposals;

The proposals themselves are in two parts –

- Part A The Forms
- Part B The technical proposal and consortium details

#### **3.5.1 Part A - The Forms**

In FP6 for most proposals there are three forms as follows -

A1 - General information on the proposal containing the following:

- Type of Instrument
- Proposal number/Acronym
- Duration in months

- Call ID
- Research objective(s)
- Proposal abstract and keywords

A2 - Information on the Coordinator and partners, one form for each with following information:

- Participant number, Name address etc.
- Activity type, legal status, SME
- Dependencies with other participants
- Person in charge - Name, Address etc
- Proposal previous submittal

A3 - Cost breakdown - one sheet for whole project for all instruments except NoEs  
With breakdown for each participant and by activity type, Cost and Requested Grant

A3 - Cost breakdown - one sheet for whole project for NoEs  
With breakdown per participant the number of researchers to be integrated by sex and same for PhD students.

### 3.5.2 Part B - The Proposal

The Proposer Guides identify the following required contents for Part B:

All instruments - (See table below for variations)

- Title Page
- Links to Priority
- Criterion 1 aspects (Relevance to objectives)
- Criterion 2 aspects (Potential impact)
- Criterion 3 aspects (S&T Excellence)
- Criterion 4 aspects (Quality of the consortium)
- Criterion 5 aspects (Quality of/and Management)
- Criterion 6 aspects - not for NoEs or SSA - (Mobilisation of Resources)
- Other aspects (ethics, safety, gender issues ....)
- Overall work plan of project

In addition IPs have to supply –

- 18 month implementation plan

and NoEs have to supply –

- Detailed Joint Program of Activities (JPA)

The evaluation criteria are slightly different for each instrument as summarised in following table -

Criterion	IP	NoE	STREP	CA	SSA
1	Relevance to objectives	Relevance to objectives	Relevance to objectives	Relevance to objectives	Relevance to objectives
2	Potential impact	Potential impact	Potential impact	Potential impact	Potential impact
3	S&T Excellence	Excellence of the participants	S&T Excellence	Quality of the coordination	Quality of the support action



4	Quality of the consortium	Degree of integration and JPA	Quality of the consortium	Quality of the consortium	Quality of the Management
5	Quality of Management	Organisation and management	Quality of Management	Quality of Management	Mobilisation of resources
6	Mobilisation of Resources	-	Mobilisation of Resources	Mobilisation of Resources	--

### 3.5.3 Notification of Intention to Submit

It is always a good idea to submit the notification - it does not commit you to submit but has an indirect benefit to proposers in that it ensures appropriate and sufficient evaluators are available. The appropriate form is in the relevant Proposers Guide and should be submitted by the date stipulated there. It is optional and not binding on you.

It is required to prepare and submit a proposal using the Electronic Proposal and Submission System (EPSS). Electronic submittal via EPSS is now mandatory for most calls. Another change is the mandatory use of pdf for Part B - submittal in rtf is no longer permitted. You also need to pre-register with EPSS and receive a password. Do it at same time as you register your intention to submit a proposal. Again it should be done as early as possible and is not binding. **Note the two separate registrations.**

### 3.5.4 Off-line preparation using EPTool, followed by on-line submission via EPSS

You must download and install the EPTool tool on your computer. There are two versions, one without Java (about 1.7 Mbytes) and one with Java (almost 7 Mbytes). If you are unsure if you have Java already installed, I suggest you first try the non-Java version and if it doesn't work, go with the full package.

Once you have successfully installed EPTool, you need to download the appropriate instrument package and unpack it. They appear to be around 150 Kbytes zipped. You should then print out the guide and follow the instructions that seem reasonably good. Note that package has a proposal template in rtf that you can use – but it is not compulsory.

You use EPTool to prepare the A forms and OpenOffice, Word, Acrobat (Writer) or similar package to prepare Part B. Try to ensure the following for Part B –

1. You are using A4 page layout and not US letter format
2. You save and submit in pdf format – note rtf submittal no longer allowed
3. You use a standard Western European Character set.

To use the EPSS online submission, coordinators have to register with the system to receive a login and password(s). At that time you have to decide if you are going to online creation or off-line creation of Part A. If you change your mind prior to submittal, you will have to reapply for a new password etc.

### 3.5.5 On-line preparation and submission using EPSS

You prepare the A forms online and Open Office, Word, Acrobat (Writer) or similar package to prepare Part B. Try to ensure the following for Part B –

1. You are using A4 page layout and not US letter format
2. You save and submit in pdf format – note rtf no longer allowed
3. You use a standard Western European Character set if rtf or similar.

This system allows the consortium under the control of the coordinator to build up Part A of the proposal on the web. The coordinator has to separately create and upload Part B. The final submission step is merely releasing the proposal to the Commission.

To use the EPSS online submission, coordinators have to register with the system to receive a login and password(s). At that time you have to decide if you are going to online creation or off-line creation of Part A. If you change your mind prior to submittal, you will have to reapply for a new password etc.

There are two types of passwords controlled by the registered coordinator. The first is his own that allows him to control the entire process. The other is the individual passwords given to his partners that allows them to fill in their A2 form on-line.

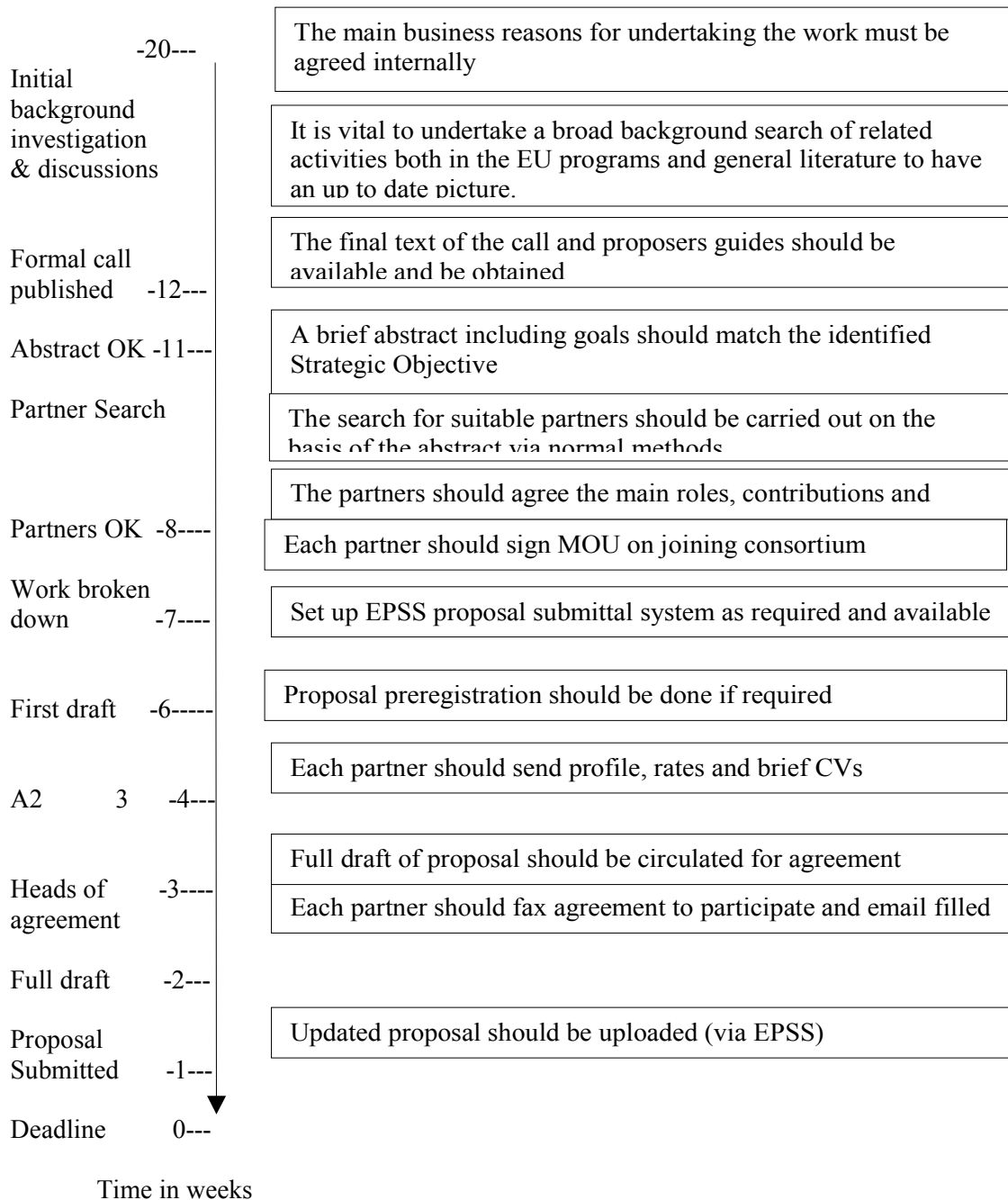
### **3.6 Proposal Timeline**

In order to have some perspective on how to plan your proposal, the following may be useful. It is from the perspective of the Coordinator and is merely a guideline indication. The overall process time is dependent on size and complexity of the proposal. The time line below is an indication for a STREP; an IP or NoE should start much earlier.

The Idealist project study of submitted IPs<sup>1</sup> indicated that two thirds of the so called “core teams” of IPs were formed by the time the call was issued. Calls are issued a minimum of three months and frequently four months prior to the closure date. Calls over the winter or summer holidays are generally four months and other times three months. Several can be open for six months.

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<sup>1</sup>[Paul Drath Published in Proceedings of eChallenges-2003 conference 22-24 Oct. 2003, Bologna, Italy. “Building the Knowledge Economy. Issues, applications, case studies”. Ed. by Paul Cunningham, Miriam Cunningham and Peter Fatelirig. IOS Press, Ohmsha, 2003] How research project co-ordinators choose partners for IST proposals

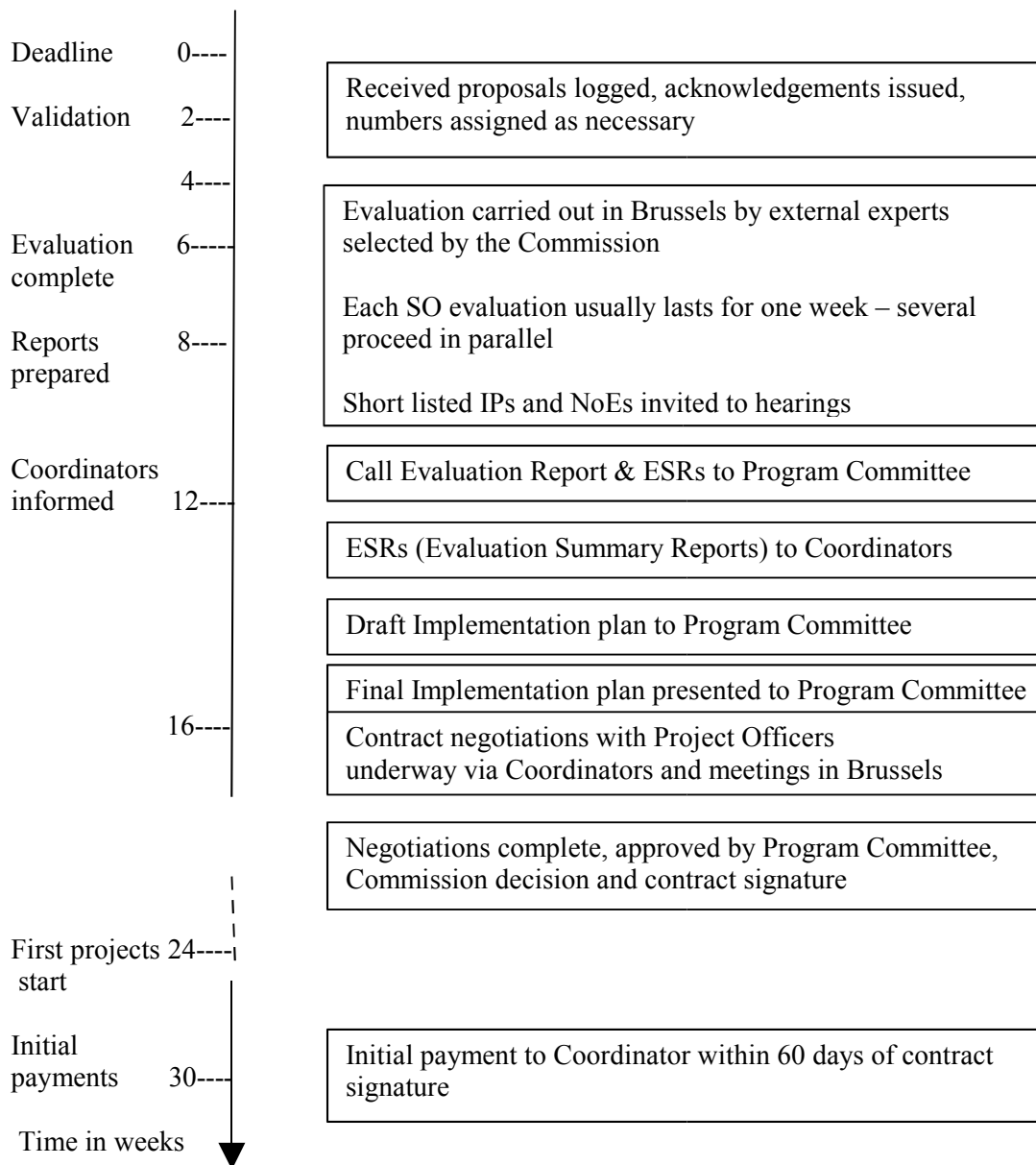


### 3.7 Proposal evaluation

The proposals go through an initial vetting by Commission staff to ensure that they comply with submission rules i.e. that they were received by the closing date and time; that it is complete and within the scope of the call. Otherwise, the proposal is rejected (or in formal terms “not retained”) and does not proceed to the proper evaluation. In general a time line for the evaluation is included in the proposers guide for each call.

A goal is to give a quick “no” where possible in order to minimise the period of uncertainty. However, as we are dealing with large amounts of public money the process has to be fully transparent and fair. This results in it inevitably taking longer than one might expect. However it is fair and there is an independent monitoring panel for every evaluation that reports formally to the Director General in Brussels but also makes its report and recommendations available to the relevant Program Committee. The process is continually being refined in light of experience and recommendations.

The evaluation follows this process -



The process is as fair as it can be made. A clear audit trail is kept in case of disputes. Each technical area invites a panel of experts to carry out the evaluation. Each evaluator has to sign a confidentiality agreement as well as a non-conflict of interest undertaking.

The exact process followed by evaluators is detailed in the Evaluation Manual. Briefly, Part B is evaluated independently by three or five evaluators from the panel and scored. They have to assess it against a series of criteria. Each then assigns score of 0 to 5 with 5 being Excellent. These criteria have minimum thresh holds and those that pass continue in the process. The three or five evaluators then meet to discuss and reach a consensus on a specific proposal and to agree on a joint score for each criterion and this leads to an overall mark. This meeting is generally chaired by a Commission official who has to remain neutral. Some criteria may have higher weights than others. (In the initial calls all weights were set at one.) All of the criteria, thresh holds and weights are detailed in the Workprogram. STREP, SSA and CA proposals are in general evaluated by three evaluators as in FP5 but the new instruments (IPs and NoEs) are evaluated by five. An Evaluation Summary Report (ESR) is also prepared from the individual evaluator score sheets for each proposal evaluated and this is eventually returned to each Coordinator. This so called consensus meeting is really to agree on a joint position and scoring so this ESR can be

prepared and be agreed to by all of the involved evaluators. It occasionally happens that no unanimous consensus can be reached. In these cases either the proposal is evaluated by an additional evaluator or a majority view is taken.

Frequently, evaluators may make suggestions in the ESR that the requested funding should be reduced for specific reasons or other changes made if the project is to be funded. These are only recommendations but are generally accepted by the Commission and taken into account. It is specifically not allowed for the evaluators to query or dispute man rates etc. in the proposal as this is deemed to be out with their competence – they are technical experts. Such things are discussed at contract negotiation time with the Project Officer.

There is then a panel meeting where all of the evaluators covering a technical area meet together and review the relative rankings of the proposals and agree a priority list of those that did not fail on one of the criteria thresh holds. This is an effort to normalise scoring. They include comments and recommendations from the evaluators. For IPs and NoEs an additional step is to invite short-listed consortia to appear before the panel to answer questions regarding their proposal.

The panel then reconvenes and as a result of the hearings may modify some of the scoring and consequent ranking of individual proposals.

In practice, the evaluation was slightly more complex in that each Strategic Objective ran several parallel panels, one dealing with each instrument. These various individual instrument rankings were subsequently consolidated into a single ranking to give the program the necessary balance.

Generally within eight to ten weeks of the closing of the call for proposals, these ESRs are sent out to the Coordinators and each will indicate whether it has been ranked or not. However in the first call it usually always takes a little longer due to its size and the newness of the process. Unranked proposals are almost certainly not going to be funded. Depending on the amount of funding available per technical area some, most or all of the ranked proposals in each area will be contacted to initiate negotiations on a contract. Some proposals may be held in a reserve list for when and if funding becomes available as some proposals may fail if agreement on a contract cannot be reached or if additional funding can be found.

Each funding country is represented on the Program Management Committee and these delegates can clarify status and as necessary suggest changes to the resulting rankings. On completion of the contract negotiation activity, this committee gives an opinion on the negotiated contracts.

It is this phase from completion of the evaluation until contract issuance and signature the Committee delegates can assist in resolving “problems” that may arise.

### **3.8 What to do if your Proposal Fails**

You have been part of a consortium and received back the ESR (Evaluation Summary Report) and it shows that your proposal has not been retained. This could be because it did not reach the threshold score on one or more criteria or was not ranked high enough to get funded. In either case you should follow these steps in an orderly fashion – the lead being taken by the Coordinator.

#### **3.8.1 Check the ESR carefully**

Go over the ESR very carefully to ensure that it is factually correct. This does not include what you would consider invalid opinions. If the evaluators did not correctly understand the proposal, it is almost always because it was not written correctly. If there are factual errors, it is possible to clarify via the National Program Committee delegate, if this is really an error. The delegate will be aware to whom such representations should be made. In the past, this has very rarely led to a re-evaluation of the proposal.

**There is no formal appeal process.**

### **3.8.2 *Get further information***

Ask for clarification of the reasons for failing. The ESR is a sanitised consensus summary of the individual evaluation reports. The relevant Project Officer will have the originals and will usually be prepared to read most of the content to you over the phone and add his own thoughts. This information can be extremely helpful if you wish to resubmit. It is normal to make contact via the Coordinator's National Program Committee delegate.

### **3.8.3 *Use of the Program Committee - "Appeals" and "lobbying"***

Lobbying during the evaluation is not helpful and counter-productive. The best lobbying time is when the call is issued. But here we discuss post evaluation activities and "pseudo appeals" specifically. There is a great deal of misinformation about this process. Firstly the NCPs (National Contact Points) are not involved unless they also happen to be the National Delegate. Also, it is impossible to have a proposal's score changed in any way. At best if there has been an obvious clear mistake (not a matter of opinion) or if there has been a clear procedural error, then it has been known that a proposal has been re-evaluated. Although I am unaware of such a re-evaluation resulting in a proposal passing. It is so rare. The best that can be done is, if a proposal has passed the evaluation but is ranked too low to get funding, to encourage additional funding to cover it. But here again, it is unknown to skip intervening proposals. So this may only work if it is very close to the funding line.

There is no formal "appeals" process. People unhappy with how their proposal has been scored, can write to the Commission, to the President, to the Queen, to the Director General etc. but in the end 99.9% of the time nothing will happen because the evaluation is carried out by a panel of independent external experts with impeccable CVs. In all cases I have seen, the problem was the proposer not including in the proposal what to him is obvious, or writing it in an obtuse fashion. If it is down to subjective matter, the Commission wins.

The best that come from lobbying in most cases is perhaps a better chance of getting funded next time. If your proposal has passed the evaluation but is either on the reserve list or not being considered for funding because of its relatively low score, the National Program Committee delegates of the principal consortium members led by the Coordinator's can make representations in Brussels to try to promote the proposal and get it funded. This can succeed, especially if the Commission staff think the proposal is better than the evaluators scored it. In the past, the staff generally has some funding in reserve for such representations or could borrow it from the following year's budget.

### **3.8.4 *Resubmit where possible***

Finally, it may be possible to improve the proposal and resubmit, assuming there is a suitable call coming up. In such cases you have to note on the Forms that it has been previously submitted and it is essential to have an in depth discussion with the Project Officer to ensure you address their concerns adequately. Of course there may not be any suitable call – in which circumstance the only option is to try to ensure a suitable Action Line is included for the following year and then go for it or, if all else fails, forget it.

## 4 Types of Project, Roles & Structure

There are many different ways to characterise projects and roles. I try here to mention the main categories. This should be useful for newcomers to become familiar with the possibilities as well as to be aware of the terminology if it arises in discussions. It is important to understand this when you are considering forming a consortium or joining one. After the mid term report on the implementation of the new instruments in FP6, some clarifications were issued in order to clarify the differences. They have summarised some of their different aspects as follows –

Instrument	Minimum participants*	Typical participants	Typical Duration	Typical Funding
STREP	3	4 – 8	2 – 3 years	1 – 3 M€
IP	3	8 – 15	3 - 4 years	6 – 25 M€
NoE	3	6 – 12	3 - 4 years	2 – 8 M€
CA	3	3 – 12**	1 – 3 years	0.5 – 2 M€
SSA	1	3 – 12**	1 – 3 years	0.5 – 2 M€

\* Legal minimum, two of the three need to be from member or accession states and one associated or member accession state. For SSA legal minimum is one from Member/accession or associated state.

\*\* Very dependent on the type of activity - many have considerably larger consortia such as Idealist which has 34 partners.

### 4.1 Refined Instrument Definitions

As a result of the FP6 mid-term review (the Marimon report) and other inputs it became clear to the Commission that there were differing interpretations of the meaning of the various instruments. Such inconsistencies existed not only between the Commission staff and Proposers but between different Units, Divisions and Directorate Generals of the Commission itself. In an effort to clarify the situation a consistent set of definitions is included in all the latest Guides for Proposers. This section has been revised to be consistent with this new view. They have repartitioned the instruments (away from "new" and "old") as to be aimed at three types of action:

- Generating , demonstrating & validating new knowledge (STREPs and IPs)
- Durable integration of research activities/capacities (NoEs)
- Supporting collaboration, coordination & other activities (e.g. conferences & studies) (CAs and SSAs)

#### 4.1.1 STREP versus IP

Instrument	Purpose	Target audience	Activities	Flexibility	Enlargement of partnership within the initial budget	Specific characteristics
IP	Ambitious objective-driven research dealing with different issues through a "program approach"	Industry, including SMEs Research institutes Universities (Possibly) Potential end-users	<u>One or more of:</u> Research Demonstration Training Innovation linked activities Management of the consortium	Annual update of work plan	Possible through "competitive calls"	"Program approach", focussing on multiple issues As a rule several components Often multi-disciplinary
STREP	Objective-driven research more limited in scope than IPs and usually focussed on a single issue	Industry, including SMEs Research institutes Universities	<u>One or more of:</u> Research Demonstration Innovation linked activities Management of the consortium	Fixed overall work plan	Possible	"Project approach", focussing on a single issue As a rule one component Often mono-disciplinary

#### 4.1.2 NoE

Instrument	Purpose	Target audience	Activities	Flexibility	Enlargement of partnership (within the initial budget)	Specific characteristics
NoE	Durable integration of the participants' research activities	Research institutes Universities Mainly <u>indirectly</u> : Industry ( <u>possibly</u> through steering committees, governing boards, scientific committees) SMEs (possibly through take-up)	<u>Joint Program of Activities (JPA)</u> : Integrating activities Joint research program Spreading of excellence <u>And</u> Management of the consortium	Yearly update of the work plan	Possible through "competitive calls"	Institutional commitment at strategic level from the very start and for the whole duration  As a rule limited number of partners

#### 4.1.3 CA versus SSA

Instrument	Purpose	Target audience	Flexibility	Enlargement of partnership (within the initial budget)	Specific characteristics
CA	Coordination, networking	Research institutes Universities Industry including SME	Fixed overall work plan	Possible	No funding of research activities Consistent set of activities focussing on coordination ("program" approach)
SSA	Preparation of future actions, support to policy, dissemination of results	Research institutes Universities Industry including SMEs	Fixed overall work plan	Possible	No funding of research activities Project approach Possibility of one single participant

## 4.2 Specific Targeted Research Project

Specific Targeted Research Projects will aim at improving European competitiveness and meeting the needs of society or Community policies. They should be sharply focused and can include one or both of the following activities:

1. Research and technological development activities conducted within a specific targeted research project should present the following characteristics:

- be **targeted** at well-defined and precisely focused research objectives;
- have **measurable outcomes**, for example by aiming to achieve concrete results.

The innovation related activities, should normally include activities relating to the protection and dissemination of knowledge, socio-economic studies, activities to promote the exploitation of the results, and, possibly, "take-up" actions. These activities are inter-related and should be conceived and implemented in a coherent way.

2. Specific Targeted Research Projects may consist exclusively of, or also contain a component of, demonstration activities designed to prove the viability of new technologies that offer a potential economic advantage, but which cannot be commercialised directly (e.g. testing of product-like prototypes).

**It is strongly suggested you should avoid the use of demonstration activities as the result would be lower funding. In most cases the same work could be carried out using different terminology under RTD instead of Demonstration.**

Specific Targeted Research Projects will also include an overall management structure. Over and above the technical management of individual work packages, an appropriate management framework linking together all the project components and maintaining communications with the Commission will be needed.

Consortium management activities include:

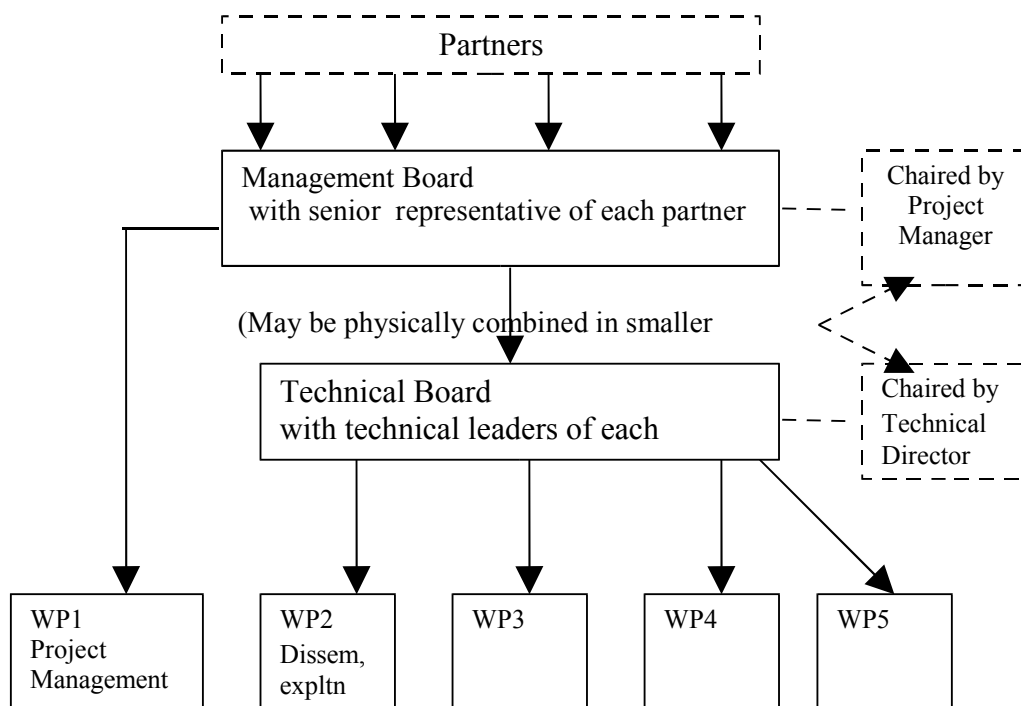
1. coordination of the technical activities of the project;
2. the overall legal, contractual, ethical, financial and administrative management;
3. coordination of knowledge management and other innovation-related activities;
4. overseeing the promotion of gender equality in the project;



5. overseeing science and society issues related to the research activities conducted within the project;
6. obtaining audit certificates by each of the participants;
7. maintenance of any consortium agreement;
8. obtaining any financial security such as bank guarantees when requested by the Commission.

#### 4.2.1 Structure of STREPs

As this type of project is essentially the same as the previous RTD project, I would maintain the traditional structure as follows -

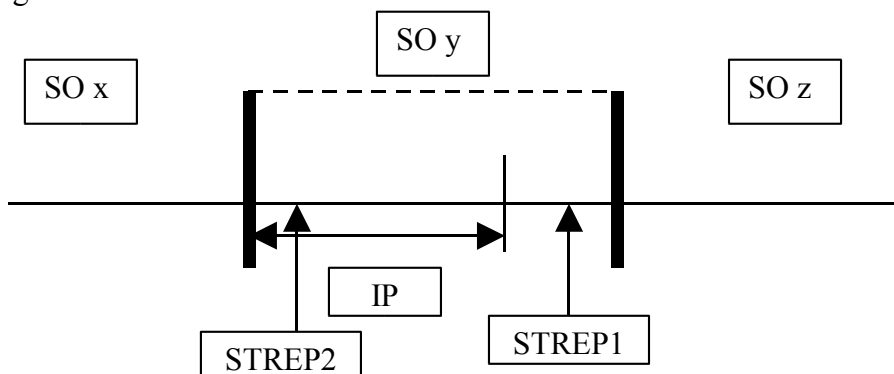


For smaller projects and depending on the technical abilities of the company representatives, it is sometimes possible and more effective to combine the Management and Technical Boards although they must continue to deal with both aspects.

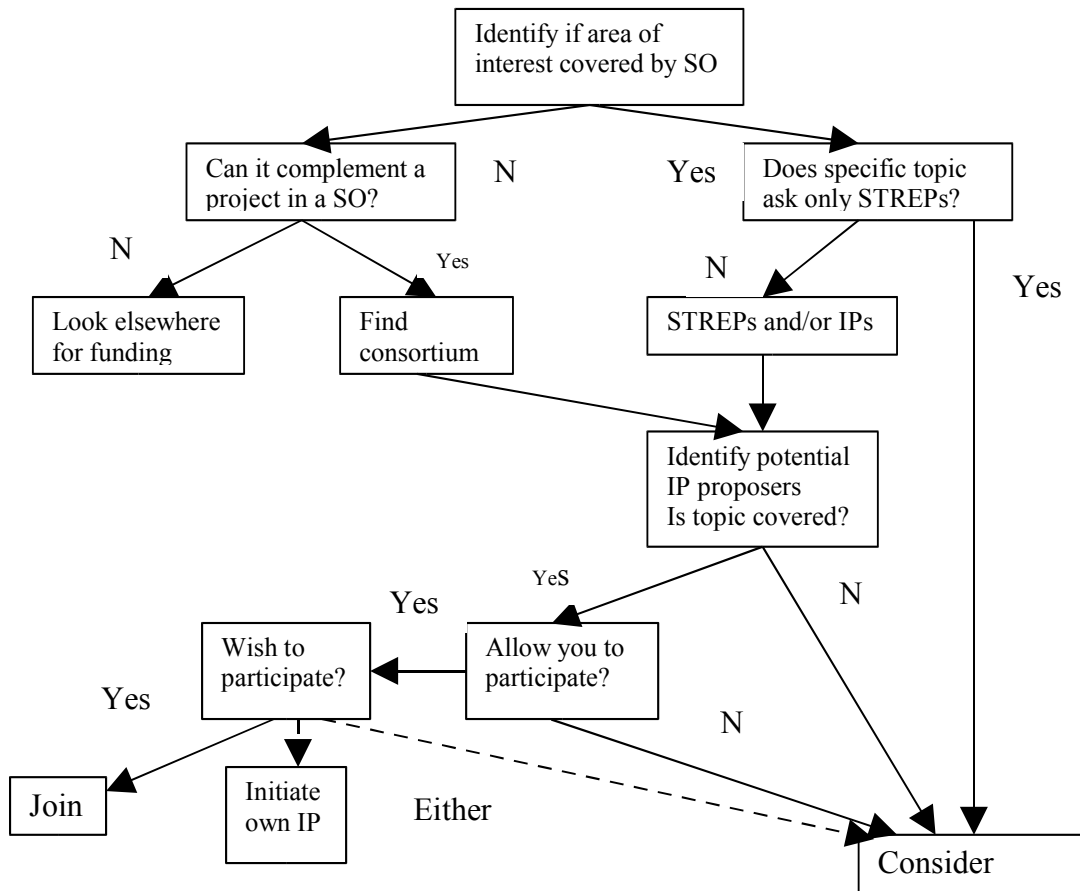
#### 4.2.2 Checking Suitability of a STREP

First thing is to check in the Workprogram that the specific topic is suitable for STREPs. Some topics are identified as being unsuitable. If it is a suitable then one would prepare a proposal as per the guidelines similar to previous RTD proposals. However, it is clearly inadvisable to submit a STREP that is very large. i.e. stick to 1 - 3 MEuro funding over 2 or 3 years maximum and say 4 to 8 participants.

It is vital from a size point of view not to stray into the IP domain. Of course the project itself would deal with R & D and potentially a small scale trial as well as dissemination as in the past and could not contain take up or training actions.



In above diagram, IP, STREP1 and STREP2 are all targeted at Strategic Objective y. STREP2 has strayed into the IP domain while STREP1 has not. How can this be avoided? I suggest the following process -



### 4.3 Integrated Project

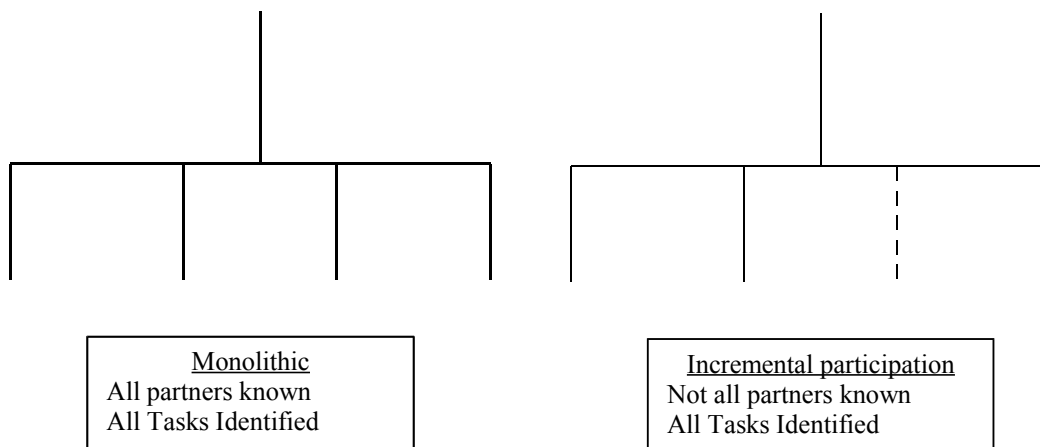
Integrated projects were intended to give increased impetus to the Community's competitiveness or to address major societal needs by mobilising a critical mass of research and technological development resources and competence. Each integrated project needs to have clearly defined scientific and technological objectives and should be directed at obtaining specific results applicable in terms of, for instance, products, processes or services.

Integrated projects comprise a coherent set of component actions which may vary in size and structure according to the tasks to be carried out, each dealing with different aspects of the research needed to achieve common overall objectives, and forming a coherent whole and implemented in close coordination.

They are carried out on the basis of overall financing plans preferably involving significant mobilisation of public and private sector funding, including funding from European Investment Bank and collaboration schemes such as EUREKA.

Two different potential configurations of IP are possible as per the following illustration. The Monolithic was the only form of project that was permitted in FP5 RTD and in FP6 STREPs. Incremental Participation is new and could have significant impacts. It is up to the proposers to decide the most appropriate one. However, given the drastically reduced funding being assigned to IPs in practice extremely few in calls one and two have chosen this option.

### IP - two possible configurations



All the activities carried out in the context of an integrated project should be defined in the general framework of an "**implementation** plan" comprising activities relating to:

1. research, **and as appropriate** technological development and/or demonstration;
2. management, dissemination and transfer of knowledge with a view to promoting innovation;
3. analysis and assessment of the technologies concerned, as well as the factors relating to their exploitation.

In pursuit of its objectives, it may also comprise activities relating to:

1. training researchers, students, engineers and industrial executives, in particular for SMEs;
2. support for the take-up of new technologies, in particular by SMEs;
3. information, communication and dialogue with the public concerning the science/society aspects of the research carried out within the project.

The combined activities of an integrated project may represent a financial size ranging from several million Euros to several tens of millions of Euros.

Integrated project proposals should comprise the following elements:

1. the scientific and technological objectives of the project;
2. the main lines and timetable of the execution plan, highlighting the articulation of the various components;
3. the stages of implementation and the results expected in each one of them;
4. the role of the participants within the consortium and the specific skills of each of them;
5. the organisation and management of the project;
6. the plan for the dissemination of knowledge and the exploitation of results;
7. the global budget estimate and the budget for the different activities, including a financial plan identifying the various contributions and their origin.

The partnership may evolve when necessary, within the limits of the initial Community contribution, by replacing participants or adding new ones. In most cases, this will be done through publication of a **competitive** call. The **implementation** plan will be updated yearly. This updating may entail the reorientation of certain activities and the launching of new ones. In the latter case, and where an additional Community contribution is needed, the Commission will identify these activities and the participants who will carry them out, by means of a call for proposals.

The Community contribution **shall take the form of a grant to the budget, calculated as a percentage of the budget allocated by the participants to carry out the project, adapted according to the various types of activity within the IP and the cost models used by the individual participants.**

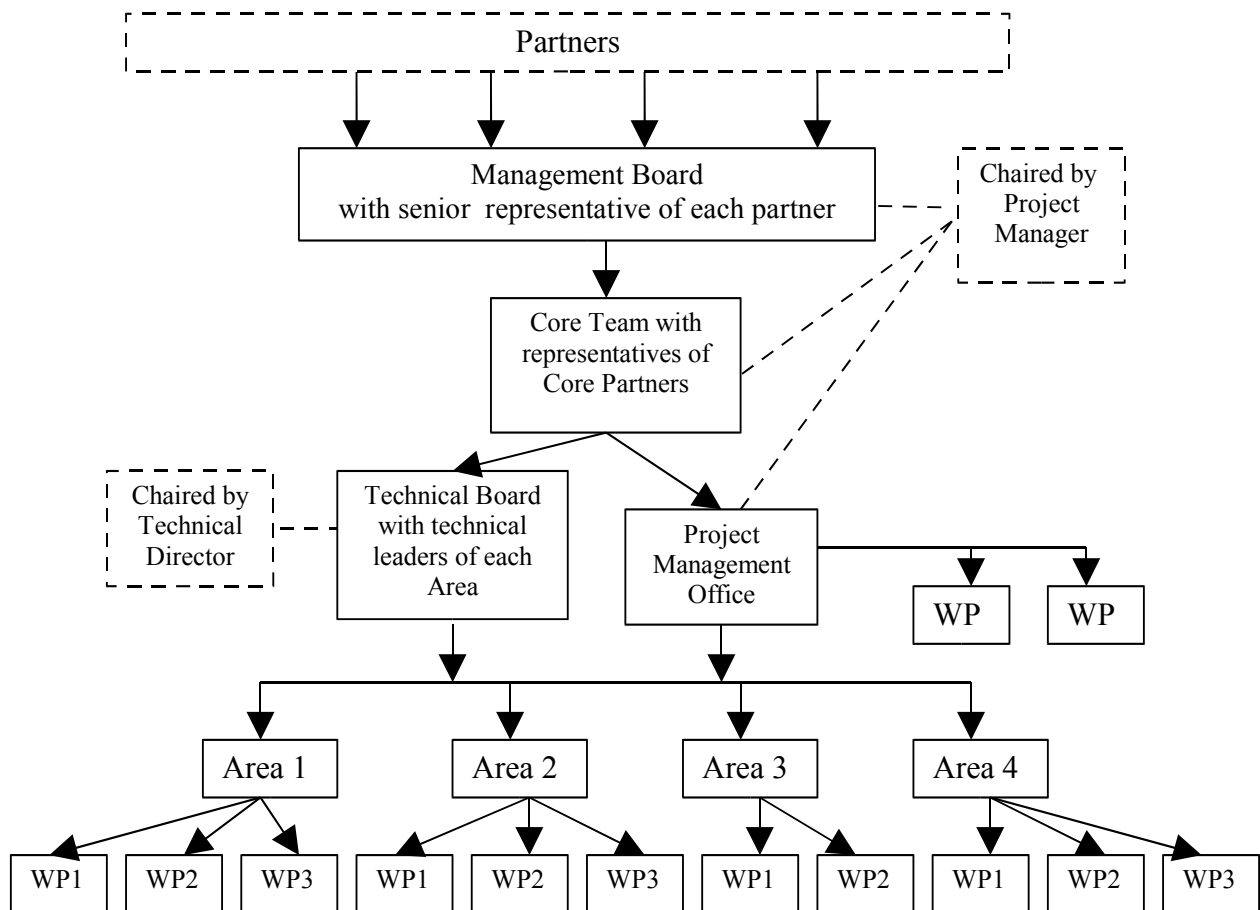
**4.3.1 Practical Points**

In practice in several areas where very large funding was required for IPs they were only initially approved for two years and they would then have to resubmit a new proposal for the next period. Some IP proposals discussed a four year work plan but only requested two years funding. I believe the best strategy is to go for four year IPs with funding request for full time but including a natural breakpoint after two years with a breakdown of what could be achieved by way of deliverables and costs for the first two years. This would then allow a splitting at the discretion of the Commission. According to the Commission, evaluators would only evaluate the part of a proposal for which funding was requested. Thus only requesting two years funding could lead to problems.

I strongly recommend you discuss the best course to follow with the respective Head of Unit in Brussels/Luxembourg.

**4.3.2 Structure of IPs**

I suspect that some valid IPs could be structured as large STREPs (below) - in particular where there are not many partners i.e. say less than ten. But in most cases I would expect it to be structured into sub-projects – these could be called Activities or Areas or simply Sub-projects. I also believe it necessary to differentiate structurally between the partners as follows -



In the above IP structure, I have indicated a possible configuration. Here all partners are not equal as would be defined in the consortium agreement. There are "Core partners" and "others". Overall, each partner is represented on the Management Board but the ongoing detailed management authority is vested in the Core Team Board. Some decisions are delegated to the Core Team. This is to shorten the decision cycle and enable faster consensus. A separate Project Management Office is identified and it runs several budgeted, common activities, broken into work packages. In addition, the overall technical work is broken down into sub-projects, called "Areas". The overall technical work is coordinated and controlled by the Technical Board, but each "Area" would have its own internal technical coordination.

All of the above is to make the project more transparent and manageable. Thus it tries to break down the span of control to manageable parts. How the areas, work packages etc. are defined is entirely dependent on the style of management envisaged as well as the form of the project itself. For example the project could have two areas running in parallel exploring different approaches, followed by a validation, then a development/refinement phase and then a trial. i.e. the areas could be time related or they could be phased in different ways.

The roles of the project management office could, if appropriate, include an activity related to a planned internal call for additional participants, including evaluation of proposals. It could also include activities common to Area projects such as say dissemination, aspects of innovation, training etc. For costing purposes it would be a good idea that activities being charged at different rates be grouped in separate Areas or Work packages.

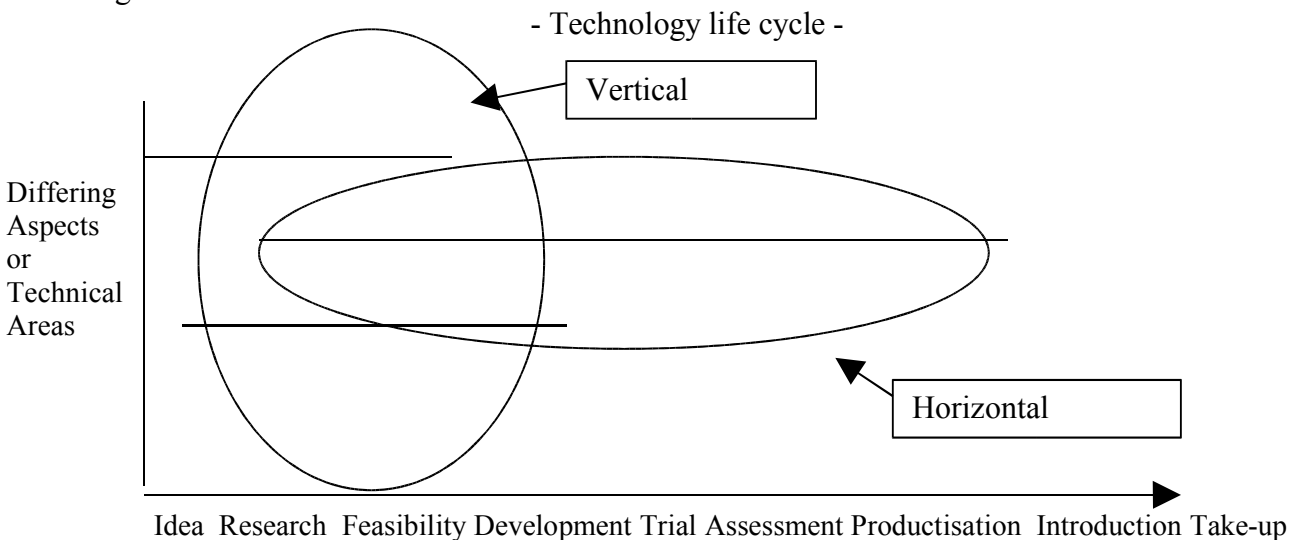
The more detailed planning required for the first eighteen months would also need to be broken down a further level to the Task level.

**4.3.3 Potential Scope of an IP**

In the documentation you can detect multiple potential configurations for an IP. IPs are expected to identify one or more of these "integrations" as being present. Most Strategic Objectives would expect a variation in those accepted but the ideal configuration for each area must be clarified prior to preparation. The document "The 6<sup>th</sup> Framework Program in brief" identifies the following forms (slightly modified) -

1. Vertical integration of a range of multidisciplinary activities.
2. Horizontal integration: integrating various research activities from fundamental to applied research and with other types of activity, including take-up activities, protection and dissemination of knowledge, training, etc., as appropriate.
3. Integration of the full "value-chain" of stakeholders from those involved in knowledge production through to technology development and transfer.
- 4) Sectoral integration of actors from private and public sector research organisations, and in particular between academia and industry, including SMEs.
5. Financial integration of public and private funding, with overall financing plans that may involve the European Investment Bank and co-operation with EUREKA.

Virtually none of the IP proposals in the first calls incorporated the above aspects. The effective management of knowledge and its dissemination and transfer, will also be an essential feature of each integrated project together with the analysis and assessment of the technologies developed and of the factors relating to their exploitation, where relevant. In order to illustrate a particular point I offer the following -



Even within a single Focus of a specific Strategic Objective they may wish two separate IPs . One of each as illustrated above. It depends on the needs and goals of the SO.

#### 4.4 Network of Excellence

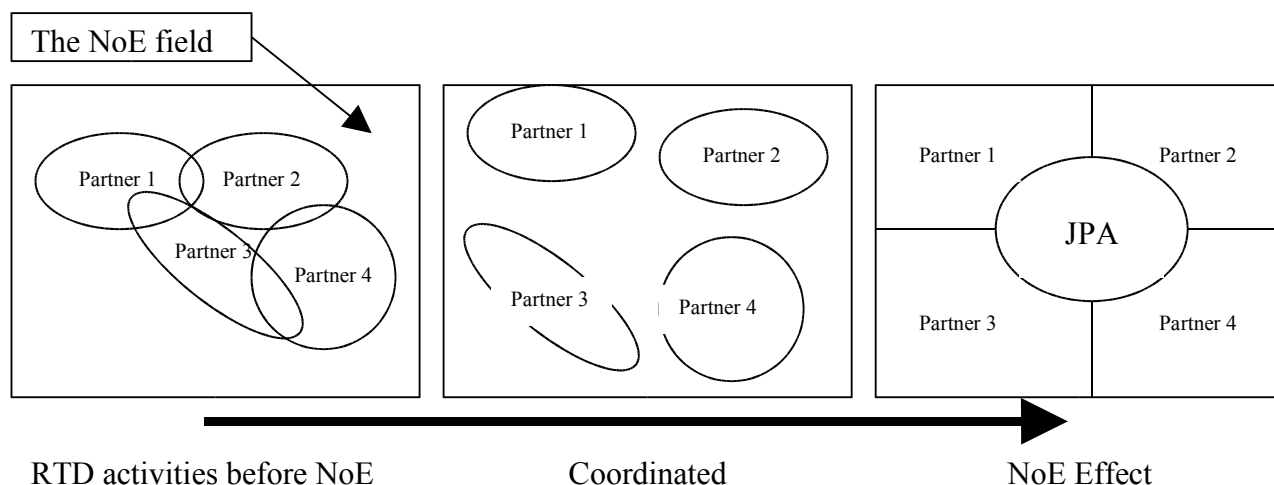
The stated purpose of Networks of Excellence was to strengthen and develop Community scientific and technological excellence by means of the integration, at European level, of research capacities currently existing or emerging at both national and regional level. Each network should also aim at advancing knowledge in a particular area by assembling a critical mass of expertise. They must foster co-operation between capacities of excellence in universities, research centres, enterprises, including SMEs (I have a problem with this one!!), and science and technology organisations. The activities concerned will be generally targeted towards long-term, multidisciplinary objectives, rather than predefined results in terms of products, processes or services.

**These would appear to be inappropriate for SMEs. They are aimed purely at Academic Institutions, Public or private Research Laboratories and, exceptionally, industrial research centres. Of course SMEs or industrial companies could have non-research roles in a NoE such as management, training, technology transfer as well as perhaps contributing to a technical steering committee. There are also IPR issues related to industrial participation in NoEs that do not appear to have been resolved to everyone's satisfaction.**

Please note that the grant is determined by the “number of researchers to be integrated” and this is determined as of numbers on date call closes. **Addition of further partners during project will not increase the funding.**

A Network of Excellence is implemented by a Joint Program of Activities involving some or, where appropriate, all of the research capacities and activities of the participants in the relevant area to attain a critical mass of expertise and European added value. A Joint Program of Activities could aim at the creation of a self-standing virtual centre of excellence that may result in developing the necessary means for achieving a durable integration of the research capacities. A Joint Program of Activities will necessarily include those aimed at integration, as well as activities related to the spreading of excellence and dissemination of results outside the network. **It has emerged that legally a single research entity that by right can participate in two NoEs could have its researchers counted twice, once in each project.**

#### NoE – JPA for integrating/shaping research



**Diagram above represents the scope of the Joint Program of Activities for a Network of Excellence on the right.** Note how it goes beyond coordination by ensuring better coverage of the technical area, not just avoiding duplication.

In pursuing its objectives, the network should therefore carry out:

1. Research activities integrated by its participants
2. Integration activities which will comprise in particular:
  - adaptation of the participants' research activities in order to strengthen their complementarity;
  - development and utilisation of electronic information and communication means, and development of virtual and interactive working methods;
  - short-, medium- and long-term exchanges of personnel, the opening of positions to researchers from other members of the network, or their training;
  - development and use of joint research infrastructures, and adaptation of the existing facilities with a view to a shared use;
  - joint management and exploitation of the knowledge generated, and actions to promote innovation.
3. Activities of spreading of excellence which will comprise, as appropriate:
  - training of researchers;
  - communication concerning the achievements of the network and the dissemination of knowledge;
  - services in support of technological innovation in SMEs, aimed in particular at the take-up of new technologies;
  - analyses of science/society issues related to the research carried out by the network.

In carrying out some of its activities (such as training of researchers), the network should endeavour to ensure publicity by publishing calls for applications.

The size of the network may vary according to the areas and subjects involved. As an indication, the number of participants should not be less than six or so. On average, in financial terms, the Community contribution to a network of excellence may represent several million Euros per year.

The network proposals should comprise the following elements:

- 1) a general outline of the Joint Program of Activities, and its content for the first **period**, broken down into research activities, integration activities, and activities for spreading excellence;
- 2) the role of the participants, identifying the activities and resources that they will integrate;
- 3) the operation of the network (coordination and management of activities);
- 4) the plan for the dissemination of knowledge and the perspectives as regards exploitation of the results.

The partnership may evolve when necessary, within the limit of the initial Community contribution, by replacing participants or adding new ones. In most cases, this will be done through publication of a **competitive** call.

The program of activities would be updated yearly and would entail a reorientation of certain activities or launching of new ones not initially foreseen, which could involve new participants. The Commission may launch calls for proposals with a view to the allocation of additional contribution in order to cover, for example, an extension of the integrated activities of the existing network or the integration of new participants.

The Community's financial contribution **shall take the form of a grant for integration, the amount of which is determined in relation to the value of the capacities and resources which all the participants propose to integrate. It shall** complement the resources **deployed by** the participants **in order to carry out the Joint Program of Activities.** It should be sufficient to act as an incentive for integration, but without creating a financial dependence that might jeopardise the lasting association of

the network.

**4.4.1 NoE Practical Points**

As outlined already above these would appear to be inappropriate for SME research. They are aimed at Academic Institutions, Public or private Research Laboratories and, exceptionally, industrial research centres. Of course SMEs or industrial companies could have non-research roles in a NoE such as management, training, technology transfer as well as perhaps contributing to a technical steering committee.

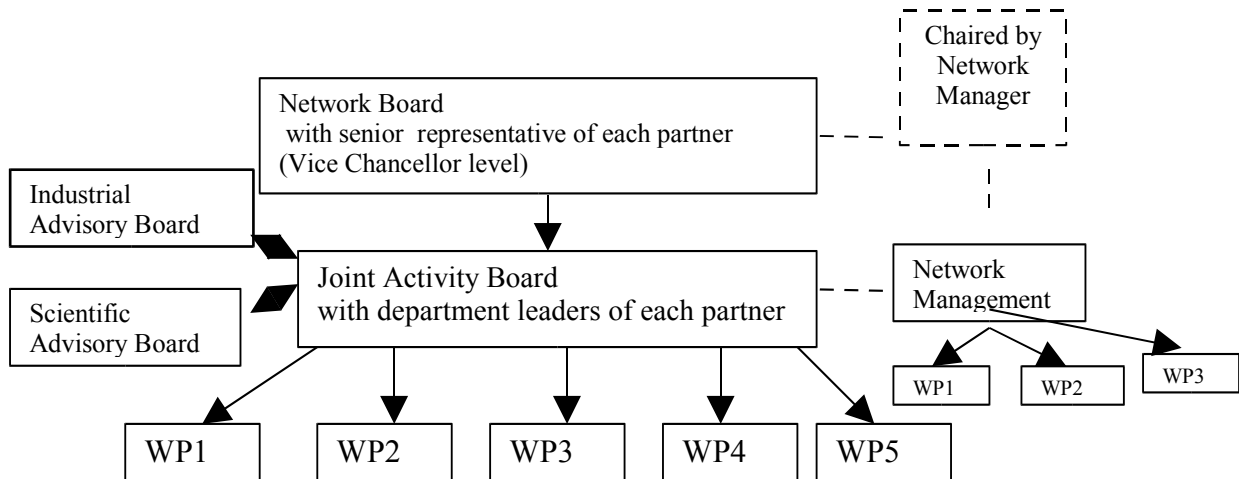
I would suggest that the quality of the participants is of paramount importance, not the quantity. Each laboratory must have executive commitment and be able to demonstrate it. For University departments for example the commitment of the Vice Chancellor or equivalent officer is vital. In most relevant research areas there are obvious centres of excellence in Europe and as many of them as possible should be involved. However an important commitment in the proposal is technology transfer and training of other "second tier" laboratories and NoEs should plan to broaden its membership on an incremental and manageable basis. There are major concerns about the ability of NoEs to manage a large number of participants and therefore a lot of attention must be paid to this aspect.

Technology transfer to industry and training is also extremely important and some resource and mechanism should be defined. Participation of key companies in the Network could emphasise this but generally they would not have a research role.

It is a peculiar fact that the proposals for NoEs don't need to supply a formal breakdown of the costs. However, I highly recommend coordinators asking partners for their man rates, cost models and other costs and then showing a small calculation against the JPA with man month estimate and costs per activity.

**4.4.2 Structure of NoEs**

As previously noted this is the most problematic of the types as it is completely new, but I can imagine something along the following lines -



It is necessary in an NoE to match the organisation to the instruments goals. Thus we talk about "Network Board" and the management of the "Joint Program of Activities". In addition a strong emphasis will be required on some management body; I have termed it Network Management. It would have a role related to information sharing, joint events, conferences, network expansion etc. as detailed in the JPA. A funded Scientific Advisory Board would seem to be a good idea. This would consist of invited world experts in this area. In addition I think it important for steering the relevance of the research and to aid in technology transfer that an Industrial Advisory Board also be constituted.



## 4.5 Coordination Action

This is a continuation of the Thematic Networks projects used under previous Framework Programs. They are aimed at bringing together e.g. manufacturers, users, universities, research centres around a given Science and Technology objective. These include co-ordination networks between Community funded projects. Support will cover a maximum 100% of the eligible costs necessary for setting up and maintaining such networks.

Coordination Actions is an instrument to network or co-ordinate research organisations, initiatives or projects for a specific purpose where the research in itself is funded from other sources, for example the Framework Programme, national, regional or other research programmes.

Coordination Actions are different from Specific Targeted Research Projects in that they do not support research and development activities. They fund the additional activities that are needed to network organisations or co-ordinate their activities for a specific purpose. They differ from Networks of Excellence in that the objective of a co-ordination action is ad hoc co-operation for a specific purpose and not as for Networks of Excellence a lasting integration of the research capacities of the organisations involved. They differ from Specific Support Actions in that they always involve a set of organisations and that they have a program of work with a defined end result over a longer period of time.

Because they are expected to contribute to the ambitious objective of improving co-operation and potentially integration among the research operators concerned, Co-ordination Actions should be planned as **a coherent set of components**. Each CA shall therefore consist of a program of work, incorporating **all or some of the following types of mid/long term collaborative activities**:

- Organisation of conferences, of meetings;
- Performance of studies, analysis;
- Exchanges of personnel;
- Exchange and dissemination of good practice;
- Setting up of common information systems
- Setting up of expert groups;
- Definition, organisation and management of joint or common initiatives.

The Co-ordination Actions could take the form of for example establishing joint memoranda of understandings, pre-standardisation and standardisation activities in specific fields or to establish a roadmap for research in specific topics. The main part of the work is carried out in meetings, but also preparatory work like studies, analysis and report writing, establishment of specifications for common information systems and the development of such systems can be funded.

## 4.6 Specific Support Actions

These are actions that contribute to the implementation of specific program or the preparation of future activities of the Program. They also prepare for or support other indirect RTD actions (financial participation: 100% of total eligible costs). The following types are supported: Studies, Dissemination and Awareness actions and Training actions, as well as support to conferences, seminars and workshops or exhibitions.

Specific Support Actions always aim to **contribute actively** to the implementation of the work program. Specific Support Actions are therefore intended to:

- promote and facilitate the dissemination, transfer, exploitation, assessment and/or broad take-up of past and present programme results (over and above the standard diffusion and exploitation activities of individual projects);
- contribute to strategic research objectives, notably regarding the European research area (e.g. studies or pilot initiatives on benchmarking, mapping, networking, etc.);

- prepare future community RTD activities with a view to enabling the Community to achieve or define its RTD strategic objectives, (e.g. via prospective studies, research roadmaps, etc.).

Specific Support Actions are different from Specific Targeted Research Projects in that they do not support research and development activities. They differ from Co-ordination Actions in that they tend to be stand alone activities and in that their objectives always are linked to support of the implementation of the program and its work program.

Each SSA shall have an action plan, which may consist of one or more (as appropriate on a case by case basis) of the **activities** listed below:

- Conferences, seminars;
- Studies, analysis;
- Fact findings and monitoring
- Trans-national technology transfer related services
- Development of research or innovation strategies
- High level scientific awards and competitions; working groups and expert groups;
- Operational support and dissemination, information and communication activities.

Specific Support Actions may also be established to stimulate, encourage and facilitate the participation of SMEs, small research teams, newly developed and remote research centres, as well as those organisations from the candidate countries in the activities of the priority thematic areas, in particular in the Networks of Excellence and the Integrated Projects.

In the context of research infrastructures the specific support actions may also include actions in support of transnational access or preparatory technical work (including feasibility studies) and the development of new infrastructure. A key aspect of SSAs often overlooked, is the need for an extremely good Dissemination and Exploitation plan

#### **4.7 Article 169**

Of the new instruments, Article 169 is the most problematic and will only be tried experimentally.

#### **4.8 SME specific measures**

Special Measures are provided for Small and Medium sized Enterprises (SMEs). In FP6 there is a greater emphasis on enterprise groupings that represent larger communities of SMEs. See also 2.12. There are two types and they use modified instruments as outlined below.

##### **4.8.1 Co-operative Research - (CRAFT)**

This is a scheme for SMEs not having their own R&D capability. Several SMEs having the same research requirement get together and find some third party that has the capability to carry out the research on their behalf with funding from the program.

Co-operative Research is a scheme whereby a number of SMEs from different countries having specific problems or needs assign a significant part of the required scientific and technological research activities to RTD performers. These activities may also be carried out by innovative and high-tech SMEs in co-operation with research centres and universities.

The Co-operative Research scheme is an evolution of the CRAFT scheme used in earlier Framework Programs. Projects are relatively short term; duration must be at least one year and with a maximum of two years and may address any research topic or field, being based on the specific needs and problems of the SMEs concerned.

There is a major change from FP5 in that the RTD performer was a sub-contractor and now in FP6 is a

contractor. This has several resulting impacts, the major one being that the RTD performer has to use a normal cost model and cannot claim any profits as before. If they are not fully covered under the cost model, the balance is paid to them by the SMEs. Additionally there is a major change related to any consultancy that wishes to undertake project management.

Other enterprises and end-users will be able to participate in Co-operative Research Projects, under conditions ensuring they do not assume a dominant role. The Intellectual Property Rights of the results belong exclusively to the SME participants. The other enterprises and end-users will benefit from the use of the results.

It is important to note that the organisation that carries out the R&D has no right to the results as they are fully funded and the SMEs derive no direct financial benefit only the rights to use and own the results.

The aim of CRAFT projects – which can focus on any scientific or technological topic or field is:

- to support the R&D needs of SMEs,
- to facilitate trans-national R&D co-operation between SMEs,
- to encourage co-operation between SMEs and Europe's research community.

Two types of activities are eligible for funding under CRAFT:

- R&D and Innovation activities
- Consortium Management

CRAFT projects run for a minimum of one year and a maximum of two years. Each project should cost between €0.5 and €2 million.

They must include at least three SMEs, established in two different EU Member States or countries associated to FP6. At least one of these must be based in a Member State or Associated Candidate Country.

The consortium must also include at least two RTD performers, which are organisations with the facilities necessary to carry out research on behalf of the SMEs. These research centres or universities must be based in at least two different Member States or associated countries. At least one of these must be based in a Member State or an Associated Candidate Country.

Other enterprises or end users with an interest in solving the particular research needs of the SMEs may participate in the project, but they must contribute to the costs of the project without taking on a major role. These enterprises must also be independent from any of the other participants taking part.

The co-operative research instrument is in effect a variation of the STREP.

#### **4.8.2 Collective Research**

Collective Research Projects will be substantial projects of two to three years duration, conducted on a European basis. A project of longer duration could be accepted if it is necessary to deliver its objectives and when duly justified. The Intellectual Property Rights of the results belong exclusively to the Industrial Associations/Groupings.

Collective Research is a form of research undertaken by RTD performers on behalf of Industrial Associations/Groupings in order to expand the knowledge base of large communities of SMEs and to improve their general standard of competitiveness.

They will be substantial Europe-wide projects lasting between two to three years. An 'SME core group' should contribute to the project, from the definition phase to the dissemination of the final results.

The intellectual property rights belong exclusively to the Industrial Associations/Groupings, while the

SME core group will benefit from the exploitation of the results.

Uses a two step procedure - in other words an initial short proposal is made and a subset of proposers are then invited to submit full proposals within a set timeframe. The Proposer Guide defines the content expected for both short and full proposals.

Collective Research projects are usually large-scale, Europe-wide initiatives set up to:

- Reinforce the technological basis of particular sector(s);
- Develop 'technological tools' (for example, diagnosis, safety equipment, etc.);
- Perform pre-normative research to provide a scientific base for setting European norms and standards;
- Address common problems and challenges (for example, to meet regulatory requirements, such as health and safety in the workplace, environmental performance, etc.)

Collective Research projects can include the following type of activities:

- Research and innovation-related activities: based on well-defined and sharply focused research objectives;
- Consortium management activities: includes the overall coordination of the project by one of the industrial partners, groupings or RTD performers;
- Training activities: particularly the training of SME managers and technical staff on the use of the knowledge produced by the project.

The average Collective Research project will run for two to three years and will cost between €2 and €5 million. Projects lasting longer and costing more could also be eligible for funding, but only in cases where the research partners can prove that this is necessary to reach the project's overall objectives. They must contain at least two independent associations/groupings or one European industrial association/grouping. Consortia must also contain an 'SME core group' made up of at least two eligible SMEs from different EU or Associated States, at least one of which is based in a Member State or candidate country.

Finally, overall consortia must achieve a nationality balance in terms of the organisations involved. Project participants must be established in at least three different EU or associated states and two of these must be Member States or candidate countries.

The collective research instrument appears to be a blend of the STREP and IP instruments.

#### 4.8.3 Comparison between Cooperative and Collective Research

On the surface I found it difficult to differentiate clearly between the two instruments and so provide the following tables to highlight the differences/similarities:

##### The Basics

Instrument	Duration	Funding	RTD Performers	SMEs	Groupings	Other
Cooperative	1-2 years	€0.5 – 2M	At least 2 From 2 states	At least 3 From 2 states	-	Possibly enterprises or end users if required
Collective	2-3 years	€2-5M	At least 2 From 2 states	At least 2 From 2 states	2 national or 1 European	-

##### The activities

Instrument	Overall participation	Objectives	Activities	Proposal

Cooperative	3 states as per rules	<ul style="list-style-type: none"> <li>• SME innovation</li> <li>• SME cooperation</li> <li>• SME trans-national cooperation</li> </ul>	<ul style="list-style-type: none"> <li>• Management</li> <li>• Research &amp; Innovation</li> </ul>	Single step
Collective	3 states as per rules	<ul style="list-style-type: none"> <li>• Sectoral research</li> <li>• Pre-normative</li> <li>• Tools</li> <li>• Common problems</li> </ul>	<ul style="list-style-type: none"> <li>• Management</li> <li>• Research &amp; Innovation</li> <li>• Training</li> </ul>	Two step

### The legalities

Instrument	Consortium agreement	RTD Performers	Coordinator	IPR
Cooperative	Yes	<ul style="list-style-type: none"> <li>• &gt;40% costs</li> <li>• Fully funded</li> </ul>	<ul style="list-style-type: none"> <li>• SME</li> <li>• RTD performer</li> </ul>	SMEs
Collective	Yes	<ul style="list-style-type: none"> <li>• &gt;40% costs</li> <li>• Fully funded</li> </ul>	<ul style="list-style-type: none"> <li>• Industrial Group</li> <li>• RTD Performer</li> </ul>	Industrial groupings

## 4.9 Training fellowships

Marie Curie fellowships are either fellowships, where individual researchers apply directly to the Commission, or host fellowships, where institutions apply to host a number of researchers (financial participation: maximum of 100 % of the additional eligible costs necessary for the action).

## 4.10 Project Roles

Most official business in this program is conducted in English. Most of the terms have synonyms - I will identify them.

### 4.10.1 Contractor

Every partner to a project, in effect, signs the contract with the Commission and is formally known as a contractor. However formally, only the Coordinator signs, the others accede to the contract.

### 4.10.2 Coordinator

Also known as Prime Contractor or Project Coordinator. Please note that this is a legal entity i.e. an organisation not a person. This is the principal interface to the Commission - both during proposal and project stages and is responsible for submitting the proposal. The Coordinator also conducts the contract negotiation. It is normal practice for the Coordinator to supply the Project Manager. A distinction between Financial Coordinator and Scientific Coordinator is no longer recognised in the contract. The Coordinator is responsible for the financial control. Any distinctions of role between the partners must be embodied in the Consortium Agreement.

### 4.10.3 Sub-contractor

A Sub-contractor is responsible to a Contractor. **Use of sub-contractors is permitted but frowned upon. In general, R&D work must not be sub-contracted. Same applies to key management activities.**

The normal use for subcontracts is to outsource work of a low-tech nature required for a project. There are many types of example such as special enclosures for devices, veterinary services, event organisation etc. In the past the Commission was very vigilant to the attempted use of subcontracts to try and get round some of the program rules. Sub-contractors will not sign any contract with the Commission. A new aspect is the need for some form of open tender before awarding sub-contracts. How this will be applied remains to be seen.

#### **4.10.4 Project Manager**

Every project must have a Project Manager. He could be called a Project Director. He will be responsible for the Management of the Project and execution of the contract and is the formal interface to the Commission. He is normally appointed by the Coordinator and chairs the Project Management Board. The Project Manager is in overall control of the project. He approves all outputs and reports, is the prime external interface and also may be the Technical Director (if one is deemed necessary). In a large IP, some of these technical roles may be delegated to technical leaders of various sub-projects.

### **4.11 Intellectual Property Aspects**

This is an extremely important area and I will try to deal with some of the key regulation. Every participant should ensure that his own Background IPR that will be used in the project is identified and recognised by the other participants up front.

#### **4.11.1 Specific IPR concepts and provisions in the FP6 model contract**

A contractor is an organisation which is actually participating in a FP6 project, i.e. which is bound by the contract. Once an organisation ceases to be bound by the contract, it is no longer a contractor, even if the project is still running (e.g. following the withdrawal of contractor during the project). One consequence is that inventions made by a former contractor after leaving a project cannot be considered as pre-existing know-how (acquired in parallel) by the other contractors, which can therefore require no access rights to it. Nevertheless, certain specific provisions of the model contract remain applicable for some time after a contractor ceases to be bound by the other provision of the contract, after the end of the project. It is important that the IPR issues are agreed by the consortium prior to signing the contract with the Commission as some licensing issues will default to the minimum level as stated in the model contract if not otherwise stated in the consortium agreement before signing the contract.

The IPR provisions apply to all contractors under FP6. Concepts such as principal contractors / assistant contractors / members, with different requests and obligations no longer exist.

#### **4.11.2 Knowledge / Pre-existing know-how Regulation**

"Knowledge" relates specifically to results of a FP6 project (knowledge is sometimes informally referred to as "foreground"). The fact that the IPR provisions set forth in the model contract apply to all work carried out in the framework of the concerned project. For Networks of Excellence, the IPR provisions apply to any work carried out in the context of the "joint program of activities". However "knowledge" does not extend to any information developed by the members of a Network of Excellence outside of the "joint program of activities".

"Pre-existing know-how" relates to information developed before the starting of the project, whether it is patented or not, secret or not (pre-existing know-how is sometimes informally referred to as "background"). As mentioned in the definition, "pre-existing know-how" also extends to results obtained outside of the concerned FP6 project after it has started, i.e. in parallel to it (sometimes informally referred to as "sideground").

It can be noted that the same piece of pre-existing know-how may be considered by some contractors as "background" and by others as "sideground", depending on the dates on which they joined the project on the one hand, and on which that piece of pre-existing know-how was generated on the other hand. Ownership of pre-existing know-how is not affected by the participation in the project.

A specific piece of knowledge resulting from the project belongs to the contractor who generated it. If such piece of knowledge is jointly generated, it will be jointly owned, unless the concerned contractors agree on a different solution (see "co-ownership" below).

Since the contract is with legal entities and not their employees, some universities and other research

organisations, have to ensure that they will own of the results generated by their staff (possibly including doctoral students and other "non-employees"). If this cannot be achieved, then steps have to be taken to ensure that the other obligations of the contract can be fulfilled, in particular regarding the granting of access rights.

As mentioned in the model contract, the rule extends to all personnel working for a contractor. This includes in particular subcontractors. In the specific case of Joint Research Units (JRUs, see below) and the costs incurred by other third parties, "all personnel" would also include staff working for this contractor but legally employed by the third party. In order to prove ownership (as well as the conception date of any invention), it is strongly recommended that all contractors maintain laboratory workbooks, in accordance with proper standards.

#### **4.11.3 Joint ownership**

Joint ownership arises in two very specific situations:

1. where several contractors have jointly carried out work generating the knowledge and where their respective share of the work cannot be ascertained, and
2. in cooperative or collective research projects.

Joint owners have to agree among themselves on the allocation and the terms of exercising the ownership of the knowledge. As far as allocation is concerned, the joint owners may decide, for instance, that a patent application will be filed by only one of them (subject to the licensing agreements with the others royalties agreements etc.).

This means that it is highly advisable that the concerned contractors enter into specific co-ownership agreements governing management issues, such as the sharing of the costs arising from legal protection procedures (patent filing and examination fees, renewal fees, ...). Should they fail to enter into a co-ownership agreement, they may suffer from the discrepancy of different national co-ownership regimes. Such provisions can be included in a consortium agreement between all contractors in an RTD project or can be the subject of specific bilateral, trilateral etc. agreements

#### **4.11.4 Transfer of ownership**

Transfers of ownership are allowed, but must be communicated to the other contractors and to the Commission, which may object. Such objections will usually take place in exceptional circumstances only. For instance in some abusive cases contractor when ownership is transferred, the obligations of the original owner with respect to protection use and access rights etc. must be passed on to the new owner.

It should be noted that a transfer can happen not only in an explicit and "isolated" way, but also in the context of the merger of two companies or in similar situations. Obligations also have to be transferred in that case.

#### **4.11.5 Protection of knowledge**

*"Where knowledge is capable of industrial or commercial application ... and having due regard to the legitimate interests of the contractors concerned"* it must be protected. This means that protection is not mandatory in all cases. There are indeed situations where journal publication or other means of putting knowledge in the public domain may constitute appropriate alternatives, taking account of the specificity of the project, the nature of the concerned results (e.g. certain fundamental research) and the interests of the contractors.

Although a contractor does not have to formally consult the other members of the consortium before deciding to protect or not to protect a specific piece of knowledge he generated, the other contractor contractors should be informed where no protection is envisaged. Another contractor may consider it more advantageous that this piece of knowledge be protected, and possibly licensed to itself, rather than

left unprotected and available for use by any competitor.

If valuable knowledge has not been protected by its owner, the Commission may protect it on its own behalf, with the agreement of the concerned contractor(s). This also applies when some knowledge was protected but the owner considers abandoning the protection (e.g. by not paying the official fees for a patent application) and when protection was applied for in a first country, but the owner doesn't intend to extend the protection to foreign countries before the end of the priority period. In such cases, the Commission must be informed well in advance, so as to be able to take appropriate measures if it considers it useful. Specific deadlines are mentioned in the model contract.

#### **4.11.6 Publication and dissemination**

Publications relating to a specific piece of knowledge should be avoided or delayed as long as no clear decision is made about its possible legal protection. However, it is a valid decision not to protect a specific piece of knowledge, if this is a conscious choice and the provisions of the contract are met (i.e. not capable of industrial or commercial application). The contract requires that the Commission and the other contractors are informed if a contractor intends to publish its results; the latter may object if publication would be detrimental for the protection of the concerned knowledge.

As far as dissemination activities other than publication are concerned (e.g. conferences), the relevant provisions are less strict, in that no prior approval is required. However, it is still necessary to take account of the need to safeguard intellectual property rights and the legitimate interests of all contractors. Therefore, even if no approval is mandatory, it could be appropriate, in specific cases, to consult the other contractors.

It should be noted that any disclosure to a single person which is not bound by secrecy obligations (typically someone from a different company or organisation) can be considered as constituting a disclosure detrimental to patentability, be it by written, oral or electronic means (including e-mail).

#### **4.11.7 Access rights – General principles**

The provisions relating to access rights in the rules and the contract constitute "minimal" provisions, that cannot be rejected but can be made more generous and detailed. For instance, regarding access rights to pre-existing know-how (PEKH) for use purposes, the contractors could agree that such access rights would be granted on non-discriminatory conditions to be agreed as far as the PEKH generated after the starting date of the project is concerned ("sideground"), but on a royalty-free basis as far as the PEKH generated before the starting date is concerned ("background").

#### **4.11.8 Exclusion of specific pre-existing know-how**

One of the novelties in FP6 is the possibility for a contractor to exempt specific pieces of its pre-existing know-how from the obligation to grant other contractors access rights to it. This possibility should be used exceptionally. For example: Where a contractor feels that the standard requirement for access rights to pre-existing know-how necessary for the other contractors to carry out their own work under the project does not provide sufficient legal certainty. The provision is to be used, only for a very limited number of elements of pre-existing know-how. For know-how which is kept secret, it should be defined in a way which would both be sufficiently clear to avoid uncertainty and sufficiently general so as to avoid any detrimental disclosure.

For certainty reasons, such exclusion must be agreed upon by the contractors concerned before the EC contract is signed. Usually, this will take place before the start of the project; for instance, this exclusion may be mentioned in the consortium agreement, if it is prepared and entered into before the official contract is signed. It is also possible to resort to a separate agreement, which may be safer if it is not sure whether the consortium agreement will actually be finalised and signed before the official contract is signed.



If a contractor joins the project after it has started, it and the other contractors will have a new opportunity to exclude pre-existing know-how before the new contractor signs the contract. This possibility is especially important for the new instruments (Integrated Projects and Networks of Excellence), where it is likely that additional contractors, unknown at the time of the initial contract signature, may join the project at a later stage.

It is the responsibility of all contractors to make sure that such exclusions will not hamper the proper carrying out of the project. If a contractor requests the exclusion of a part of its pre-existing know-how to such an extent that it would significantly affect the carrying out of the project, contractor solutions have to be found amongst the partners or the other contractors can withhold their agreement to the exclusion either on the grounds that the project implementation will be hampered or that their legitimate interests will be significantly impaired.

"Legitimate interests" should not be invoked by a contractor X to prevent another contractor Y from excluding some specific pre-existing know-how for the mere reason that X needs access rights to that specific pre-existing know-how for using its own knowledge. This is the reason for which access rights are to be granted in the first place. "Legitimate interests" can vary from contractor to contractor and from project to project and need to be assessed on a case-by-case basis. They encompass notably commercial interests of a contractor. The main purpose of this provision is to put a burden of justification on the contractors who want to object to the request of another contractor to exclude certain pre-existing know-how.

As an example, a contractor A could possibly invoke legitimate interests for refusing to grant specific access rights to another contractor Z which is a competitor of A, and which would have joined the project after A left it. However, both the interests of the project itself and of the contractor requested to grant access rights have to be taken into account, in a balanced way and on a case-by-case basis. It should be noted that access to another contractor's knowledge must now be requested. Unlike the 5FP projects, there is no right to use all the knowledge generated by the project.

#### **4.11.9 Access rights – Possible objection by the Commission**

As is the case for transfers of ownership, the Commission has a right to object to the granting of access rights to third parties if this could be detrimental to European competitiveness. This clause provides an "emergency-break" possibility for the Commission in extreme cases to prevent detrimental consequences. The Commission might become aware of such cases via the regular reporting procedures or via information by other contractors.

#### **4.11.10 Access rights for carrying out the project**

Such access rights may be requested by a contractor only if it needs them for carrying out its own work under the project, as defined in the description of work Annex I (the "technical annex") of the contract. For *Networks of Excellence*, the reference is the *Joint Program of Activities*. Such access rights do not extend to the whole pre-existing know-how of a contractor, but only to that part which is relevant to the project. They may be requested until the end of the project, even from a contractor leaving the project before its end.

Additional access rights (on more "generous" terms) may be agreed between the concerned contractors.

#### **4.11.11 Access rights for use purposes**

Use means both exploitation and further research purposes. Contractors can request such access rights, and be requested to grant such access rights, until 2 years after the end of the project, unless the contractors agree on a longer period. Any contractor leaving a project before its end can request or provide such access rights, until 2 years after they have left the project, unless the contractors agree on a longer period.

#### **4.11.12 Exclusivity**

Under FP6, however, a contractor enjoys access rights for use purposes only if it needs such rights for using his own knowledge. Therefore, taking account of this exception, the owner of some piece of knowledge can be considered as enjoying quasi-exclusive rights relating to it.

Given this restriction, the IPR provisions for FP6 make it very easy for a contractor to grant a license to a single third party, i.e. to grant a "quasi-exclusive" license. The only restriction is that said contractor must maintain the obligation to grant access rights to one or more other contractors if they fulfil the conditions for enjoying them and such rights are requested.

#### **4.11.13 Sublicensing**

Sublicensing is not included in access rights without consent of the primary owner of the concerned knowledge or pre-existing know-how. This is to reduce legal uncertainty as much as possible for the contractors. Indeed, if sublicensing was freely allowed, this would imply that access rights to the pre-existing know-how and knowledge of a contractor X could be extended, without its consent, to virtually any company in the world, including X's competitors. This means that the access rights do not extend automatically to affiliates or mother companies of FP6 contractors. Such rights have to be explicitly granted by the concerned contractor (owner of the concerned knowledge and/or pre-existing know-how), if it agrees to do so.

Contractors are free to allow sublicensing, for instance by specifying this in a consortium agreement. This may be done under specific conditions, for instance only for knowledge and not for pre-existing know-how. In addition, a special clause allowing sublicensing for software-related inventions is available, for inclusion in the EC contract if this is requested by the contractors and agreed by the Commission

#### **4.11.14 SME projects**

In Collective and Cooperative Research Actions, knowledge is jointly owned by the SMEs or industrial groupings. Here also, co-owners should agree among themselves on the allocation and the terms of exercising the ownership of the knowledge, and may for instance decide that one single SME will own a certain piece of knowledge.

In addition, specific arrangements may be agreed upon before signature of the contract, e.g. with a view to provide the RTD performers with some rights, for instance access rights for conducting further research (since, as a basic rule, RTD performers do not enjoy automatically any access rights for use purposes ; this is a consequence of the fact that they do not own knowledge). Of course, such access rights may also be granted to RTD performers on a case-by-case basis during the project.

## 5 Financial Aspects

*Please note that there has been a recent change in nomenclature. In the Guidance notes for Project Reporting in FP6 dated October 2004, they have renamed "Cost Statements" to be "Management Reports" and have renamed "Management Reports" as "Activity Reports". I think this is stupid to put it mildly and have chosen not to change this book but continue to use the familiar terminology.*

### 5.1 Choice of Cost Model

The cost model is now based on type of legal entity and its accounting system.

1. All legal entities can use the full cost (FC) model with the exception of physical persons;
2. Physical persons use the additional cost (AC) model (that is individuals participating in the project as individuals – not SMEs that are not incorporated)
3. Non-commercial or non-profit organisations established either under public law or private law and international organisations may choose one of the additional cost (AC), full cost flat rate (FCF) or FC models. However, only those non-commercial or non-profit organisations established either under public law or private law and international organisations which do not have an accounting system that allows the share of their direct and indirect costs relating to the project to be distinguished may opt for the AC model.
4. Legal entities defined as SMEs have the choice between the FC and FCF model.

The same options are open for all instruments - specific organisations must stick to single model across entire FP6 and all instrument types. However a public organisation can move from AC to FC or FCF and a SME can move from FCF to FC.

1. The FC model allows all direct and indirect costs to be charged to the project. Costs are reimbursed at different rates according to the activity and instrument.
2. The FCF model allows all direct costs to be charged to the project with a flat rate to cover indirect costs. Direct costs are reimbursed at different rates according to the activity and instrument.
3. The AC model allows only eligible additional direct costs to be charged to the project with a flat rate to cover indirect costs. These costs are reimbursed at 100% in all instruments. (The exception is for Networks of Excellence where costs must exceed the grant for integration and may result in costs being reimbursed at less than 100% depending on the composition of the consortium, the costs incurred, and the amount of the grant for integration.)

This choice is critical from a financial point of view. **I strongly recommend every commercial organisation to use an accountant experienced with the rules to determine the best model and assess the overhead rate as applicable.** Virtually no new participants do this and most end up receiving substantially less funding than they could have received.

Cost Model	Name	Type of Organisation
AC	Additional cost flat rate overhead	Physical person must use this, non commercial or international non profit organisations with accounting system incompatible with FC
FC	Full cost	Any organisation except physical person
FCF	Full cost flat rate overhead	SME, non commercial and non profit organisations

#### 5.1.1 Cost Model Definitions

As mentioned in the previous paragraph, a contractor may choose a cost model according to the table shown above to identify its eligible cost following the description given in Annex II of the model contract. The contractor should use the same cost model already used in other contracts with the Commission or if

it is a new comer as contractor, it should **select a cost model and maintain it for all its participation in the contracts of the FP6. Where organisations submit proposals from various departments, it is essential that the first approved proposal basis is used by all departments in future proposals.**

Certain exceptions are possible for SMEs entering the FP6 on the FCF cost model and non commercial and non profit organisations entering on AC cost model and subsequently wish to move to FC (or FCF) model **or** when a legal entity changes its legal status, for example:

1. SME becoming a large enterprise or the reverse (following a re-organisation of a large enterprise);
2. Public body (or part of it) through a privatisation process becoming a private enterprise.
3. Private enterprise becomes a public body.

### **5.1.2 Cost Model Notes**

The EC funding limits for each activity, together with the limits established by the Community framework for State aid and the principle of the co-financing, define the financial "regime" applicable to the contractors. In FP6 only two cost models are permitted (with one variant): The Additional Cost model (AC) and the Full Cost model (FC/FCF).

### **5.1.3 Full-Cost Model Explanation**

The Community financial contribution is calculated as a maximum percentage (%) of the total eligible costs for a specific action, within the limits permitted by the intensity of the public support, regulated by the Community framework for the state aid to the research and technological development.

In this model the Community financial contribution covers (fully or partly) the total costs. The financial contribution is calculated as a maximum percentage **of the total eligible costs** of the action (always within the limits of Community State aid framework). This model can be used both by beneficiaries subject to or not subject to the Community State aid framework, however the Community financial contribution would be less than (in general) or equal to (in some cases) 100% of the total eligible costs.

For the beneficiaries using the full cost model and its simplified variant (FCF- see 5.1.4 below). The Commission financial contribution is limited to a value equivalent to **35% (demonstration), 50% (research) or 100% (training, management up to 7%)** of the recipient's total costs, subject to the respect (or not) of the threshold established by the Community State aid framework (and of the principle of co-financing of the action when the rate and of 100%).

### **5.1.4 Simplified Full-Cost Model variant Explanation**

The FCF is a simplified variant of the full-cost model where, within the clear concept of FC cost model explained above, a flat-rate rate of a maximum of 20% calculated on the eligible costs of the action, excluding those related to subcontractors (in its widest definition), is allowed to cover all related indirect costs.

### **5.1.5 Additional Cost Model Explanation**

The Community contribution is calculated as a maximum percentage (%) of the eligible cost in addition to those already covered by other public funds than the financial contribution from the Community, always within the limits permitted by the intensity of the public support, regulated by the Community framework for the state aid to the research and technological development.

When this cost model is used by non profit higher education institutes or similar beneficiaries (not subject to the Community State aid framework) the Community financial contribution could cover the 100% of the additional costs, providing that the co-financing principle is respected and therefore conditioned to the demonstration that other costs exist (actually incurred). **This is the case for example** of an organisation working on additional cost model entitled to be funded at 100% rate of its additional costs. This organisation is not limited to charge to the project only the cost of **personnel recruited** on purpose for the

action. It may charge also the cost of permanent staff or personnel dependent on external funding, as an additional cost, at the condition that they may demonstrate that those costs exists.

A physical person participating as a legal entity in a project must use the AC model. A non commercial and non profit organisation may also opt for the AC model, provided that it can demonstrated that they do not have an accounting system that allows the share of their direct and indirect costs relating to the project to be identified. Note that physical persons cannot charge own salary costs – they would be better forming a company.

### 5.1.6 Rates of Support per activity type

The types of activities per instrument are as follows:

Types of instrument or actions / Types of activities	Research & technological development or innovation activities	Demonstration activities	Training activities	Management of the consortium activities	Other specific activities*
Network of Excellence				•	•
Integrated project	•	•	•	•	
Specific Targeted Research or Innovation Project	•	•		•	
Cooperative research	•			•	
	•		•	•	
Integrated Infrastructures Initiative*	•	•		•	•
Classical For Infrastructures			•	•	•
				•	•
Specific support action				•	•

The percentage of funding to be expected will not exceed the following rates per activity.

Maximum reimbursement rates of eligible costs	Research & technological development or innovation activities	Demonstration activities	Training activities	Management of the consortium activities	Other specific activities*
Network of Excellence				100% (up to 7% of the contribution) (AC: eligible direct costs)	100%
Integrated Project	FC/FCF: 50% AC: 100%	FC/FCF: 35% AC: 100%	100%	100% (up to 7% of the contribution) (AC: eligible direct costs)	
Specific Targeted Research or Innovation Project	FC/FCF: 50% AC: 100%	FC/FCF: 35% AC: 100%		100% (up to 7% of the contribution) (AC: eligible direct costs)	
Specific research project for SMEs	FC/FCF: 50% AC: 100%		100% (for collective research only)	100% (up to 7% of the contribution) (AC: eligible direct costs)	
Integrated Infrastructures Initiative	FC/FCF: 50% AC: 100%	FC/FCF: 35% AC: 100%		100% (up to 7% of the contribution) (AC: eligible direct costs)	100%

<b>Coordination Action</b>			100% (FC indirect costs: flat rate **)	100% (up to 7% of the contribution) (AC: eligible direct costs) (FC indirect costs: flat rate **)	100% (FC indirect costs: flat rate **)
<b>Specific Support Action</b>				100% (up to 7% of the contribution) (AC: eligible direct costs) (FC indirect costs: flat rate **)	100% (FC indirect costs: flat rate **)

- \* Other specific activities means: - for NoE: Joint Program activities, except consortium management  
 - for III: any Specific activity covered by Annex 1 including transnational access to infrastructures  
 - for CA: activities except consortium management  
 - for SSA: any specific activity covered by Annex 1, including transnational access to infrastructures
- \*\* Flat rate for FC indirect costs: 20% of all eligible direct costs minus sub-contracts

The members of the consortium can decide how to distribute the financial contribution received from the Commission. This may be in strict accordance with the reimbursement rates made by the Commission or may be in accordance with the consortium's preferences. Whatever the choice, it is important that it is clearly indicated in the consortium agreement in order to avoid problems.

### 5.1.7 Mixed systems

Where a legal entity has a MIXED accounting system (composed of one which allows to distinguish indirect costs and another which doesn't allow it), so long as the direct costs of the project can be identified, the FCF model can be used. Where it is not possible to distinguish the share of the direct and indirect costs to this project it is possible to use the AC model, so long as the legal entity meets the criteria for its use.

## 5.2 Allowable Management Costs at 100%

Costs for management of the consortium shall be reimbursed up to 100% of the incurred costs. A share of no more than 7% of the EU contribution shall be reserved for management costs by the consortium reimbursable at 100%. But what constitutes management costs? There are two categories:

1. The following costs must be included here.

- Audit certificate costs (but without overhead as it is technically viewed as a subcontract)
- For IPs and NoEs, the costs of implementing competitive calls by the consortium (Publication and Evaluation) to find new members (if required)

2. The following may be included in the management cost activity up to the ceilings.

- Updating and managing the consortium agreement (incurred after project start only)
- Managing at a consortium and participant level of the technical activities of the project
- Overall legal, contractual, ethical, financial and administrative management of the consortium including any financial security necessary to cover the financial collective responsibility of the participants (e.g. cost of insurance or bank guarantee if deemed necessary for some of the participants)
- Co-ordination at consortium level of knowledge management and other innovation related activities
- Overseeing promotion of gender equality in the project
- Overseeing science and society issues related to the research activities

The first category above takes precedence over the second within the permitted funding levels. Overheads can be added to management costs except for subcontracts and audit certificates (regarded as subcontracts) and other direct costs, where the overheads, on the FC basis, have been calculated as a

percentage of salaries. Generally consultants should be partners, not subcontractors.

AC contractors can charge to the management of the consortium activity costs of permanent personnel to the extent that they can identify their actual costs. However, the flat rate for indirect costs does not apply to these costs as they are not additional.

## 5.3 Explanation of activity costs

### 5.3.1 Research Costs

Research cost would normally cover all the material/immaterial resources deployed by the participant to carry out the research activities as indicated in the Annex I and in Annex II to the contract for the action. Those activities are strictly attached to generation, expansion and deepening the scientific and technological knowledge and to the achievement of identified scientific/technological objectives and relevant deliverables according to the time schedule of the project.

### 5.3.2 Demonstration Costs

Demonstration costs cover those activities of the project which can be seen as demonstrating in a real live use environment a product to prove their viability for future applications and commercialisation. I strongly suggest that in most proposals this is avoided and in place of it either "Trials" or "result validation" are carried out on prototypes or pre-production systems and as appropriate classified under the Innovation or Research activity types respectively. See 9.7 for further discussion of "Demonstration".

### 5.3.3 Innovation Costs

Consortia are encouraged to include **innovation-related activities** in their project, and such activities will be supported by EC funding under the same conditions as R&D activities. **Note that in FP6 the word "innovation" is used in a different sense from that in FP5.**

Typical examples of innovation-related costs include:

1. **intellectual property protection:** protection of the knowledge resulting from the project (including patent searches, filing of patent (or other IPR) applications, etc.);
2. **dissemination activities** beyond the consortium: publications, conferences, workshops and Web-based activities aiming at disseminating the knowledge and technology produced;
3. **studies on socio-economic aspects:** assessment of the expected socio-economic impact of the knowledge and technology generated, as well as analysis of the factors that would influence their exploitation (e.g. standardisation, ethical and regulatory aspects, etc.);
4. **activities promoting the exploitation of the results:** development of the plan for the use and dissemination of the knowledge produced, feasibility studies for the creation of spin-offs, etc, "take-up" activities to promote the early or broad application of state-of-the-art technologies. Take-up activities include the assessment, trial and validation of promising, but not fully established, technologies and solutions, and easier access to and the transfer of best practices for the early use and exploitation of technologies. In particular, they will be expected to target SMEs.

In addition, innovation costs cover also those activities carried-out by "*organisations that possess specific competence in management, dissemination and transfer of knowledge*" which are allowed to participate in FP6 projects, even if they don't carry out any R&D activity.

## 5.4 Personnel costs

Under FP5 contractors were permitted to use average employment costs. These are no longer permitted – only actual costs can be used. Averages can be used to estimate the project budget over its duration but must report only actual costs for each reporting period.

All eligible costs must be determined in accordance with the contractor's usual accounting principles. As far as productive hours are concerned, contracting parties must calculate their specific productive hours according to their normal procedures (taking into account national holidays, illness, training, etc.).

Contractors using direct staff hours would normally apply a utilisation rate (i.e. hours actually used after holidays, sickness, etc). This utilisation rate must be calculated for the life of the project and must reflect the real productive hours.

If a legal entity established in a third country participates without receiving any EC funding, it has to calculate the person months and costs according to its usual accounting and management principles. This input should be identified in the technical annex to the contract (Annex I) and the budget estimated for that contractor's costs be included as part of the total costs of the project (but not part of the estimated maximum EC contribution). If a legal entity established in a third country receives EC funding, it is treated like any other contractor: it must meet all the provisions of the contract including those concerning the eligible costs (Articles II.19, II.20, II.21, II.22 and II.25 of the FP6 model contract).

Working time to be charged must be recorded throughout the duration of the project through any effective tool (including time sheets), in accordance with the contractor's normal accounting rules. The person in charge of the work designated by the contractor should certify the records. An estimation is insufficient. Employees normally record time sheets on a daily basis while the certification of the person in charge could be done monthly. Certified time sheets must include the person's identity and her/his time spent on the project. If the person is working in different "activities" under the contract it is necessary to be able to distinguish among the tasks as they relate to each activity. ("activity" here means at a specific rate.) In addition, a full overview of the working time should be possible in the event of an audit (i.e. for persons working part-time on the project it should be possible to determine where their time was spent when not on the project). Costs claimed for personnel time must be actual, not averages, and recorded on the contractor's account (income statement, balance sheet) not just on internal (management) accounts.

#### **5.4.1 Personnel Definitions**

The definition of personnel necessary to carry out the activity (RTD, Demonstration, etc) should conform with the following cumulative criteria:

1. Directly employed by the contractor in accordance with national law
2. Under the contractor's sole technical supervision (in essence the technical output must belong to the contractor)
3. Remunerated in accordance with the normal practices of the contractor provided these are acceptable to the Commission.

#### **5.4.2 Personnel Status**

On the other hand different categories of the "status" of personnel can be possible:

- "Permanent employee", who has a permanent working contract with the legal entity.
- "Temporary employee", who has a temporary working contract with the legal entity.
- "In-house consultant" or "intra-muros consultants" is a worker that, in addition to the two conditions mentioned above, fulfils simultaneously the following conditions:

Works in the offices of the concerned participant;

Works only or mainly for this participant;

Has a "work contract" with this participant;

The "work contract" mentions explicitly the tasks he has to perform in the indirect action supported by the Commission in which this participant is involved;

The participant may effectively control and assess the performance of the work assigned to this intra-muros consultant;

By way of explanation, it is implied that the consultant makes use of the employer's administrative services, and therefore has no "overheads" of his own. By way of explanation, it



is implied that the consultant makes use of the employer's administrative services, and therefore has no "overheads" of his own.

For the justification of the costs incurred, in the case of "work contracts", the costs excluding VAT, should be taken from the invoice received for the work performed. Invoices should indicate the project on which the persons have worked, the tasks carried out and the hours spent.

### 5.4.3 Additional Costs

For contractors using the additional cost model, costs shall be limited to the actual costs of the personnel employed on the project (gross remuneration and related charges) where the latter has concluded:

- a temporary contract for Community RTD project Permanent personnel paid for working full-time for the contractor is excluded from this cost-charging system, except where "professor" or staff are used for management;
- a temporary contract for completing a doctorate;  
a contract which depends upon external funding additional to the normal recurring funding of the contractor; in this case, the costs charged to this contract must exclude any costs borne using such recurring funding".
- Or where cost of research by existing staff when paid separately for this element

For example, a researcher may have a permanent-working contract, which depends partially by external funding. The working contract of this researcher mentions explicitly that a part of the salary of the researcher is subject to its involvement in specific activities financially supported by external funding (like the financial contribution of the Community to an indirect action of the FP6). This part of the salary of the researcher, and only this part, is considered to be additional personnel costs that could be reimbursed at 100% (for participants using the AC cost model).

### 5.4.4 Overtime

The Commission will not normally approve payment of personnel costs in respect of overtime payments. If overtime is actually paid and if it is the policy of the organisation to pay overtime then it is possible if the overtime is necessary to the project. Generally speaking though, except for certain technical staff, overtime is not paid and is not usually necessary to carry out the project.

## 5.5 Overhead Costs

In previous Frameworks overhead costs were applied generally to personnel costs, however in FP6 they can be applied more broadly.

### 5.5.1 Calculated Overheads (FC)

Direct costs are those costs directly related to the project, which can be clearly identified and justified by the accounting rules and principles of the contractor. Overhead costs (also referred to as Indirect costs) are those costs which are not directly related to the project, not identified as direct costs and which do not include any costs already directly charged to the project. They are determined in accordance with the accounting principles of the contractor but must be related to the project, subject to audit trail and be real.

The calculated overheads could include the following types of costs:

- in house technical service departments utilised by project such as QA, design services
- allocations for internally funded R&D if it is normal practice
- costs related to general administration and management;
- costs related to ongoing professional training of staff
- costs of office or laboratory space, including rent or depreciation of buildings and equipment, and all related expenditure such as water, heating, electricity, maintenance, insurance and safety costs;
- communication expenses, network connection charges, postal charges and office supplies;
- depreciation on common office equipment such as PC's, laptops, office software;

- miscellaneous recurring consumables.

See 5.7 below regarding non-eligible costs.

In the FC cost model the contractor uses his own “normal” accounting basis for calculating overheads, whether it is based on salaries only or on all direct costs. The reporting rate is based on historic accounting information per published accounts of the organisation.

The indirect costs used for FC must be based upon the actual costs for the life of the project not on the last set of financial accounts. Only indirect costs relevant to the project are eligible and they have to be actual costs for each period concerned. While an estimate can be used to identify the expected costs over the life of the project, only actual costs may be claimed at each reporting period. Any necessary adjustments to reflect corrections to amounts claimed in a previous period must be identified in the subsequent period.

The basis for allocating the indirect costs (e.g. project direct staff hours / total direct staff hours) must be calculated for the life of the project. It is not possible to use the figure (e.g. total direct staff hours) for the period of the last financial accounts. Only indirect costs relevant to the project are eligible and they have to be actual and adjusted where they deviate from the estimates.

### **5.5.2 Flat rates for indirect costs where applicable (FCF and AC)**

In some models a flat rate for overheads can be charged (generally 20% of direct costs minus any subcontracting costs). In these cases, either the contractor has opted for the flat rate or is not capable of identifying its real costs.

Indirect costs covered by a flat rate should normally include all costs related to general administration and management. Subject to the accounting principles of the *contractor* the following items:

- costs related to general administration and management;
- costs of office or laboratory space, including rent or depreciation of buildings and equipment, and all related expenditure such as water, heating, electricity, maintenance, insurance and safety costs;
- communication expenses, network connection charges, postal charges and office supplies;
- common office equipment such as PC's, laptops, office software;
- miscellaneous recurring consumables.

### **5.5.3 Example of third party's costs eligible for project and conditions for acceptability**

The Article 8 of the Rules for Participation in combination with Article 14.2, third indent of the same rules, indicates that the resources placed at the disposal of a participant by third parties could be eligible and therefore be refunded.

This provision (Article 5.5, 13.5 and 14.2 third indent of Rules for Participation) has been specifically conceived with a view of encouraging the participation of common legal entities (e.g. EEIG and similar entities without legal personality) instead of its members, as an element of simplification in line with the spirit of FP6.

This provision is practically implemented as follows:

- In accordance with Article 8 of the Rules for Participation, this provision requires that a prior agreement between the third party and the contractor exists prior to the signature of the EC contract. The contractor has to submit the aforementioned **agreement to the Commission during the negotiation phase**. In the event of agreement of the Commission (Ref. to the Guidelines on Negotiation and Selection) the third party and its tasks, will be mentioned in Annex I of the contract. Any other provision that could emerge during the implementation of the action cannot be considered as potential eligible cost from a third party.
- These costs, even if incurred by a third party, will have to be certified by an external auditor, and they are under the contractor's responsibility, which will declare them for its account.

#### **5.5.4 Overheads on "Management Costs"**

Contractors may charge overheads on management costs using the same basis as for all other costs i.e. AC and FCF, 20% of all direct costs except subcontracts and audit certificates and FC the percentage as defined by the organisations normal accounting principles, either on all direct costs or salaries only, depending on standard basis within the organisation.

#### **5.6 Equipment costs**

Costs relating to the purchase or leasing with option to buy, of durable equipment shall be charged to the contract pursuant to the contractors' own accounting practices.

However complying with the principle of sound financial management, the cost claimed for durable equipment leased with option to buy cannot exceed the costs that would have been incurred if the equipment had been purchased and depreciated under normal practices. (i.e. interest element must be excluded).

The following formula gives an indication on how to calculate depreciation that could be charged to the project, for contractors **using accrual based accounting system**:

**Depreciation = A/B x C x D**

Where:

A = the period in months during which the durable equipment is used for the project after invoicing,

B = the depreciation period for the durable equipment: as per regular accounting practice for the organisation within its published accounts

C = the actual cost of the durable equipment,

D = the percentage of usage of the durable equipment for the project.

The durable equipment may be purchased or leased with option to buy.

The depreciation should be a linear and contractors cannot charge the total depreciation cost of the durable equipment in their first financial statement.

On the other hand, those contractors **using cash based accounting system**, they may charge the total depreciation cost of the durable equipment in the first financial statement, providing that they buy and use it for the project this durable equipment during this first financial/scientific period.

Many Universities and Public Research Institutes operate cash based accounting system. In this system, there is no accrued accounting for depreciation. Consequently an appropriate charge (the proportion of the cost of equipment used on the project) for depreciation is normally made on a one-off basis in the same year of the purchase of the equipment.

**As a consequence, contractors using a cash based accounting system may have their depreciation costs of durable equipment reimbursed in a single amount in line with their normal accounting system. In other words, they may charge the total depreciation cost of durable equipment in the financial statement covering the period of purchase of this durable equipment.**

**To avoid misunderstandings, such contractors must declare in their financial statement that they use cash based accounting system.**

#### **5.7 Non-eligible costs**

Costs calculated in accordance with other conventions e.g. "current costs", "notional rents", "opportunity costs", etc. are not eligible. Therefore, no notional costs should be charged, e.g. in respect of revaluation of buildings or capital equipment, estimated or imputed interest, estimated rentals, etc.

Costs, which are not eligible, include in particular:

- "return on capital employed", including dividends and other distributions of profits
- provisions for possible future losses or charges
- costs related to any interest
- provisions for doubtful debts
- unnecessary or ill-considered expenses
- marketing, sales and distribution costs for products and services, unless they are directly related to and necessary for the action
- indirect taxes and duties, including VAT
- any cost incurred or reimbursed from other sources such as in respect of another Community project
- leasing costs (or part thereof) where the leasing arrangement has the effect of unnecessarily increasing the charge made to the project (e.g. where the cost without interest of the leased equipment is higher than if purchased).

## 5.8 Costing of Network of Excellence

In a Network the funding determination is entirely different. The maximum annual payment to the Network is determined by the number of researchers. Please note that the grant is determined by the "number of researchers to be integrated" and this is determined as of numbers on date call closes. **Addition of further partners during project will not increase the funding.**

The financial regime for Networks of Excellence is based on the concept of an incentive for integration; i.e. a fixed amount to support the Joint Program of Activities. The estimation of the financial amount of the grant takes into account the degree of integration (by defining a minimum threshold to be reached in the evaluation), the number of researchers to be integrated, the characteristics of the research field and the joint programme of activities. Model contracts for Networks of Excellence will contain a table such as the following to determine the average annual amount of the grant:

50 researchers	€ 1 million/year
100 researchers	€ 2 million/year
150 researchers	€ 3 million/year
250 researchers	€ 4 million/year
500 researchers	€ 5 million/year
1000 researchers and above	€ 6 million/year

The grant for an intermediate number N of researchers would be calculated by linear interpolation:

A - nearest lower given number, B – nearest upper given number,  $G_A$  – given grant for A researchers,  $G_B$  – given grant for B researchers:

Grant for N researchers:  $G_N = G_A + (G_B - G_A) / (B - A) * (N - A)$

In addition to the amount calculated on the base of the above table, an additional amount of 4000 Euros per year (up to a maximum of 10 % of the grant for the researchers) will be granted for each registered doctoral student in the network. Note – above figures are "maximum grant" - in many cases it will be only a proportion of it.

For the disbursement of the grant it must be demonstrated that costs of at least the value of the grant are used for the implementation of the Joint Program of Activities and that the cost of integration does not exceed 25% of the costs of the RTD activities integrated.

An important point is that in order to claim their costs in a cost statement, participants must account for their claimed costs in an identical way as for IPs or STREPs. i.e. they will calculate it based on their chosen cost model and man rates for expenses incurred in the JPA. It will normally be the case that there may be no relationship between the proportional calculation of the budget, based on researchers to be integrated and the costs claimed. i.e. the number of researchers contributes money to the central budget but it can only be withdrawn as expenses are incurred as per the JPA.

## **5.9 Creating a Participant's Budget**

There are differences between the type of Instrument and the Cost Model. This section is purely an overview of the things to be taken into account. Please note that there are no predefined rates or costs. Budgeting should be done on expected actual costs to be incurred.

### **5.9.1 Items common to all cost models**

It is vitally important for each participant to involve an accountant experienced in FP6 rules to determine the best Cost Model for the organisation. If the organisation has existing FP6 contracts, it should continue to use the chosen model. However it is possible, within certain constraints, to use a different model. (See 5.1.1).

The accountant should also calculate, for budgetary purposes, the man rate or rates to be used for this participant for this proposal. This rate is made up of two distinct parts: the salary and the other costs of employment. The gross salary should be a future estimate with allowance for inflation built in. Added to that should be non-salary costs of employment such as employers social security, any payroll tax, retirement plan, insurance, provision for severance pay, car or other benefit. Each of those is of course highly dependent on the norm for the individual country. These two parts together make up the base cost of employment.

I assume in this section that the number of man months or man days that the participant is entitled to for each activity that he will contribute has been agreed within the consortium.

The calculation of labour cost should be straight forward, if the number of man months and their costs are already known.

Other costs should now be addressed. The principal of those will be international travel, equipment and sub-contracts. The travel to be expected should be calculated by number of expected trips per activity and the normal cost of a trip which comprises travel, accommodation and living expenses. The acceptable levels for those would be those recognised within each country by the tax authorities. Equipment should be handled as per 5.6 above.

Sub-contracts are somewhat different in that they include projected audit costs (see 5.11, below) as well as other sub-contracts as justified in the proposal and not related to core activities of the project. Such work should be minimised (see also 5.16, below).

In addition to the above other costs such as material should be identified and taken into account. It is also important from an administrative point of view to have a split of all costs by activity type.

Finally AC and FCF participants should add 20% for unspecified overheads to everything except sub-contracts. FC participants – see below 5.9.4.

### **5.9.2 The AC Model participant**

Main point to remember for AC is that labour cost of permanent members of staff generally cannot be funded unless it is part of the 7% management cost. AC participants should add 20% for unspecified overheads to everything except sub-contracts.

Don't forget that AC participants should claim 100% of above costs. This leads to an interesting ploy as companies can only claim say 50% of their costs for RTD. It has been known for necessary sub-contracts to be issued via an AC participant as otherwise only 50% of it would be reimbursable. This is acceptable if it is justifiably related to that participants activity. Same goes for large capital expenditure and say large material costs.

### **5.9.3 The FCF Model participant**

Main point here is first to have a check undertaken to ensure you are not better off using the FC model. As the FCF overhead is only 20%, if you can justify say 30% on FC, you would be better off. In case of doubt, you may wish to postpone the use of an external expert to determine your potential FC overheads until your proposal is accepted. In those cases, I would advise to claim FC and put down some rate such as 50%, as thought appropriate. During contract negotiations, when you more or less know you will get funded you can always request less and even revert to FCF. The point being, when you establish in a proposal a budget, it is very difficult to get it increased. It is relatively easy to give some back! However, in the latter case, try increasing your budgeted manpower to use up available budget! Most people underestimate to keep proposal costs low.

### **5.9.4 The FC Model participant**

See 5.5.1 above for details of what can be included in your calculated overheads. The Commission says it will accept the current practice in a company for computing of R&D overheads. Most companies do not have such a system set up, so this is an opportunity to establish one of maximum benefit to you with respect to what you can claim via FC. A danger is that a company may be participating in other external funded R&D programs with their own more restrictive rules. There is no compulsion to use this in calculating your overheads.

### **5.9.5 Note on NoE budgeting**

Although the overall grant requested will be calculated by the number of researchers integrated – see 5.8, above, the Joint Program of Activities in my opinion should be costed as per other types of projects. If for no other reason than to justify the requested funding.

### **5.9.6 Note on SSA budgeting**

The A3 form is unclear for FC participants. They should fill in the cost using their full calculated overheads but when calculating the EC contribution only use 20% rate. Even though this appears as they are not then getting 100% funding, they are in fact claiming 100% with the 20% overhead.

## **5.10 Receipts of the Project**

Under FP6, projects can be partially funded from other sources. In these circumstances, the income should normally be deducted from the relevant costs before calculating the costs for purposes of the EU contribution (whether it be 50% or 100%). In addition, contributions in kind (staff or technical assistance from a third party, equipment, materials etc.) should be reported but should have a neutral effect on the EU contribution since the income and expense are identical. In a similar fashion, where an organisation using AC cost basis, have staff working on the project who are excluded from being charged to the project, the hours should still be reported in the period and final statements. While the basis of reporting is still unclear, it will probably be best to include these personnel costs at value and exclude them on the same basis as other “contributions in kind”.

## **5.11 Claiming costs in a running project**

In an R&D project, claims are normally made at the end of each year or occasionally at the end of six months from formal start date of the project via a Cost Statement. The actual period is determined during contract negotiation. It is foreseen in FP6 that for example STREPs may be able to negotiate substantially different periods with valid reasons. The cost claim is submitted to the Coordinator by each partner within thirty days, normally with an Audit Certificate. It is usually accompanied with a progress report. These are

then consolidated and checked by the Coordinator who passes them onto the Project Officer for checking and payment less any advance. The Commission normally has sixty days to pay with interest due if they are late. Time spent while waiting for any supplementary information or justifications is not included in the sixty days. The key source of information with respect to this aspect is the contract and in particular Annex 2.

### **5.11.1 Dealing with Exchange Rates in Cost Statements**

Contracts, funding, payments and cost statements in FP contracts are all in Euros. Several EU Member States and all Associated States use currencies other than the Euro. Thus there is some risk in taking what is effectively a fixed price contract in a foreign currency.

It has been normal practice when submitting periodic cost statements to use the official Euro exchange rate of the first of the month following the period. The official monthly exchange rates are made available on the web under the Europa server. Currently at <http://europa.eu.int/comm/budget/inforeuro/> In the past when there has been wide fluctuations of the Euro against other currencies this has caused some problems and a great deal of concern in some organisations. Although there was always means to minimise or offset at an organisational level, the problem has been addressed in FP6 directly. In FP6 they have introduced a different in the exchange rate policy. It is now possible in the cost statement to choose to convert the previous period on a monthly basis as costs are incurred at the then current rate. However you have to stick with one method for the whole cost period. This hopefully will give some relieve from currency fluctuations.

### **5.11.2 Audit Certificates**

Having contractors provide audit certificates with cost statements was trialled by the IST program in FP5. It allows payments to be made more quickly and enables each payment period be considered as final. This is all for the clear benefit of all participants and should remove a serious previous obstacle to smooth running of projects.

1. For each period for which an audit certificate is required, each contractor shall provide an audit certificate prepared and certified by an external auditor, certifying that the costs incurred during that period meet the conditions required by the contract. The certificate should expressly state the amounts that were subject to verification. Where third parties' costs are claimed under the contract, such costs shall be audited in accordance with the provisions of the contract.

The cost of this certification is an eligible cost under the activity relating to Management of the consortium.

2. Each contractor is free to choose any qualified external auditor, including its usual external auditor, provided that it meets the cumulative following professional requirements:

- a) the external auditor must be independent from the contractor;
- b) the external auditor must be qualified to carry out statutory audits of accounting documents in accordance with the 8th Council directive 84/253/EEC of 10 April 1984 or similar national regulations.

3. A contractor that is a public body may opt for a competent public officer to provide an audit certificate, provided that the relevant national authorities have established the legal capacity of that competent public officer to audit that public body.

Certification by external auditors according to the contract does not diminish the liability of contractors according to the contract nor the rights of the Community with respect to carrying out its own controls and audits.

The reasonable cost of audit certificates should be included in the management costs of a project (see 5.2

above) and are then 100% refundable (except for VAT) by the Commission within its contribution. As previously mentioned, overheads can not be put on this cost as it is regarded as a sub-contract.

## 5.12 Accounting Principles

First of all it is vital that you read the Commission documents “Financial Guidelines”, “Audit Certificates” and “Cost Models” which at time of writing have not been formally released. However the model contract has – and it is the base guidance document.

All organisations, including universities and other public institutions must keep proper books of account and supporting documentation to justify their eligible costs claimed that they charge and relevant documentation must be kept for a period up to five years after the end of the action.

Explanations and justifications, especially concerning the allocation and apportionment of overheads, must be readily available for inspection by the Commission and its authorised representatives and by the European Court of Auditors.

Each potential contractor must satisfy the condition that it will have all the necessary resources as and when needed for carrying out the action. In preparing Financial Statements the following principles must be applied:

1. The participant must be presumed to be carrying on its business as a going concern
2. The methods of valuation must be applied consistently from one financial year to another

The Financial Statement should possess the following qualities that render the information they present useful to the readers; they must be:

1. Understandable. Excessive detail and overly complex reporting formats should be avoided. Information should be presented clearly and simply.
2. Relevant. Relevant information is timely and covers full nature and extent of the financial activities presented. Information is relevant if it helps those who use it to carry out their activities.
3. Reliable. Reliable information represents what it purports to represent. It is accurate within acceptable tolerances, free from bias, complete and verifiable.
4. Timely. Information cannot be out of date and must reflect the most recent information available.
5. Consistent. To be understandable, financial reporting should be presented on the same accounting basis to the extent possible. If the basis of accounting and presentation has changed from one *accounting period* to the next because, for example, a more appropriate accounting policy or standard has been adopted, this fact and the effects on the financial report resulting there from should be highlighted and explained clearly.
6. Comparable. As with consistency, the basis of accounting and presentation, and the effects of any changes from one period to the next, should be highlighted and clearly explained.
7. Materiality. Insignificant events may be disregarded, but there must be full disclosure of all important information. Therefore, an item is material if its disclosure is likely to lead to the user of accounting information to act differently.

The external independent auditor in performing its duty has to confirm that above-mentioned principles and factors concerning the quality of information are fulfilled and financial statement gives a true and fair view of the financial position corresponding with the underlying economic reality. Financial statements must be derived from the generally used accounting system of the contractor. The contractor must be able to verify the audit trail between the financial statement and its bookkeeping (general ledger) regarding all transactions recorded in the financial statement.



### 5.13 Participation without funding

In FP6 it is possible for legal entities from EU countries to participate without receiving funding. Their costs will be taken into account for calculating the total cost of the project but not the Community financial contribution. For these cases, the contract can include the special clause for such contractors, indicating that they are not subject to financial audits and audits on accounting and management principles referred to in Article II.29.1. As a consequence, Section 1 of Part B of Annex II (eligible costs of the project, direct costs, indirect costs, cost reporting models, receipts of the project Community financial contribution, reimbursement rates, audit certificates, interest yielded by pre-financing provided by the Commission, payment modalities) do not apply to those contractor(s). Also, such contractors would not be subject to any financial collective responsibility provisions applicable to the project.

### 5.14 Prefinancing

Interest on pre-financing - the guidelines are clear that bank interest earned by the coordinator on pre-financing monies is a receipt of the project. The Financial Regulation requires that interest earned from the pre-financing by the coordinator is a receipt. The FP6 contract (Annex II, Article II.27) says that "the coordinator shall inform the Commission of the amount of any interest or equivalent benefits yielded by the pre-financing it has received from the Commission." The Community financial contribution shall be offset by any interest or equivalent benefits yielded by the pre-financing of the project, as referred to in Article II.27 (see also Article II. 24.5). However, interest earned by contractors once the pre-financing has been transferred to them is not declared as a receipt.

The pre-financing provided to the contractors remains the property of the Commission until reimbursed to the contractors. The pre-financing will be spent continuously from the moment it is transferred until the financial statement is accepted. On the other hand, the principle of co-financing also means that the contractors should draw equally from the pre-financing and from their own resources during each period.

### 5.15 Sub-contractors

As a general rule contractors must have the capacity to carry out the work themselves (Article II.6 of the FP6 model contract). Subcontracting is a derogation to this general rule and is limited to specific cases.

#### 5.15.1 Conditions related to activities subcontracted:

1. Subcontracts may relate only to a limited part of the project (Article II.6, 2, a of the FP6 model contract): "They may only cover the execution of a limited part of the project. Therefore, generally core elements of the project can not be subcontracted".
2. Article II.6, 2, b of Annex II of the FP6 model contract states that: "recourse to the award of subcontracts must be justified having regard to the nature of the action and what is necessary for its implementation".
3. Even though certain services may be performed by a subcontractor, the contractor maintains fully responsibility for carrying out the project, retains the intellectual property generated, if any, and must ensure that certain of provisions of the model contract are reflected in the agreement with the subcontractor. (Article II.6, 2, a of Annex II (General conditions) to the FP6 model contract).
4. The subcontractor must be a legal entity.
5. Subcontracts are carried out only by third parties (Article II.1, 27 of Annex II of the FP6 model contract). Subcontracting between contractors is not possible, except in very particular cases (It might be the case where a different independent department of one contractor, not involved in the project, has provided a service to another contractor. However, this should be avoided to the extent possible.)
6. Any subcontractor, whose costs will be claimed under the project, must be made to the best bid based on price/quality and in compliance with the national legislation of the contractor concerned (see: Article II.6.2 of Annex II of the FP6 model contract).
7. A subcontractor is not considered as a participant. A subcontractor is a third party carrying out tasks identified in Annex I or other minor tasks not relating to the core work of the project, by means of a subcontract with one or more of the contractors. (Article II.1.27 of Annex II of the FP6 model contract).

- contract).
8. As a third party, the subcontractor is not reimbursed by the Commission directly but by the contractor on the basis of the agreement concluded between the contractor and the subcontractor. Once the subcontractor is paid by the contractor, this contractor will be able to claim the reimbursement of that subcontracting expense to the Commission as a form of direct eligible cost.
  9. As direct eligible costs, the reimbursement rate of subcontracting cost will depend on the type of activities under which the cost of the subcontract has been incurred and the instrument in which the contractor is participating. (See the table in part 4 of the Executive Summary and part 3.1.3.2 of the Guide to Financial issues relating to instruments of FP6)
  10. VAT is a non-eligible cost. Therefore eligible costs of subcontracting exclude VAT. For example, where the total price paid for a subcontract is €1,200 (the cost of the services were €1,000 and the VAT €200), the direct eligible cost is € 1,000.
  11. Subcontractors do not submit Financial Statements. However, the costs incurred by the contractor for subcontracting must be identified in the contractor's Financial Statement. The contractor must ensure that its audit certificate also covers the eligible costs of the amount paid to the subcontractor.

### **5.16 Internal or intra participant cross purchasing**

In many projects the situation often arises where a participant wishes to make use of a product, equipment, service or material that it itself supplies as part of its normal business. It has traditionally been possible to put such a charge against the project for this when required if it has been foreseen in the Technical Annex and the amount can be shown not to contain any profit. This can be demonstrated if the price can be build up from its manufacturing or supply cost and not as a discount on its normal selling price. In the past I have used the "internal transfer price" that the company normally used for in house purchase of its own products.

A similar situation often arises if a partner requires to buy a product from a different partner for use in the project. The same answer applies i.e. if a non-profit cost is used and it has been foreseen in the Technical Annex to the contract.

In all such cases, it is advisable to discuss this specifically with the Project Officer ahead of time with agreement in writing in case of any future questions on the subject. This is particularly important as it is obviously an area if not strictly supervised could lead to significant abuse.

## 6 Use of External Consultants

Most companies and organisations, especially those new to the program, tend to use external consultants to assist them in becoming involved and frequently also during the project itself. Given that the rules, language and customs of the Program are substantially different from other Programs, such use of consultants could be extremely helpful and assist new organisations to have a successful experience.

This section tries to provide some background on the use of consultants to ensure successful projects and value for money on all sides. Most of what I write here is common sense but must only be taken as opinion, hopefully informed, of what you should expect and what the options are. **As with most other activities, it is important that someone in your organisation be the champion and either himself or someone else in the organisation is appointed who has the day to day responsibility for the activity and works closely with the consultant and to learn the process.**

In previous Framework Programs some consultancies concentrated on accessing the "Exploratory Award" funding. As this does not appear in FP6, it should no longer be an issue.

Another impact of the FP6 changes is that the formal split of funding between participants in an approved contract is not in the contract, only an "indicative" split. This raises the problem for some consultant contracts which are whole or partially based on a success fee. See discussion below under 6.3.5.

### 6.1 How to select a consultant

As with use of any subcontractor there are a few basic guidelines. I of course am completely unbiased. However, the following would be a sensible way to proceed –

- Discuss with organisations who already have projects which consultants they would recommend
- Access any lists of available Framework Program consultancies
- Invite several to come and present what they would offer to you
- Ensure they discuss their modes of payment and operation (see below)
- Ask each consultancy for reference customers and previous successes
- Check if each has served as an evaluator in a related EU program (this is not mandatory, but is an added endorsement) - even having access to an experienced evaluator is very useful
- Take up references
- Have your lawyer check the contract and ensure you understand its implications
- Choose a suitable one after considering the rest of this chapter

### 6.2 What their role should be

Do not expect the consultant to do all the work for you – this is undesirable even if they wish to. A consultant should be used to assist you in participating in a winning proposal. The emphasis should be on assist. In addition to the actual work related to the proposal, you should avail yourself of the opportunity to learn and understand the process. Consultants are best used for any combination of the following tasks -

- Informing your organisation of the options
- Assisting you to identify business reason to participate and goals
- Assistance in identifying appropriate technical topic
- Checking the validity of the selected technical topic i.e. its appropriateness vis a vis what you wish to achieve
- Assisting you in finding partners or proposal to join
- Assisting in preparation of heads of agreements within the consortium
- Assisting you on appropriate cost model to use and, as necessary, estimating your overhead rate
- If you are coordinator, assisting you in writing the proposal
- Project Managing the proposal process

- Assuming the evaluation is positive, assistance in contract negotiation
- Finally, assistance in setting up the new project, including your in-house systems

However you should first understand which of the above you can carry out yourself (if any). You can then utilise consultants to carry out or assist in the remaining tasks. Please note that it may be best depending on specific circumstances to split the tasks between different consultants. Finally, the last two tasks will only be required when the proposal passes the evaluation – you shouldn't contract for this unless there is a dependency on the success of the application.

### **6.3 Payment methods**

Consultants undertake work for a fee. It is important that the method of reward does not unduly cause a conflict of interest. Such conflicts can never be completely avoided but they should be appreciated. They are mainly related to the method of payment. The various options are as follows -

#### **6.3.1 *Up front agreed sum for specific work***

It is normal to agree a lump sum cost to carry out the preparation and submission of a proposal or partnership in one. It is also possible to agree a phased work plan with staged payments for each activity. Each phase is dependent on successful completion of the previous one.

#### **6.3.2 *Agreed sum plus success fee incentive***

This is a variation of the one above with some success fee on acceptance of the proposal. Such a success fee is either pre-fixed or more usually related to the amount of funding assigned for the partner employing the consultant. A pre-fixed fee will cause less potential conflict of interest. A suitable criterion for success is receipt of invitation to enter into discussions on a contract. Of course account must be taken of funding changes during negotiation or failure to conclude a contract.

#### **6.3.3 *Pure success fee incentive***

It is absolutely vital not to have an arrangement that puts your interest in conflict with that of the consultants or at least to minimise the conflict. Thus I strongly advise against retaining consultants purely on a contingency basis. With such an arrangement you may end up with a project that you would be better not being in. However, it may be unavoidable and such contingency fees would quite correctly be higher. As above the success fee could be pre-fixed or a percentage; the former is better.

#### **6.3.4 *Project participation***

This is almost always proposed in combination with one of the above. It is especially open to misuse and should not be undertaken lightly. Consultants may wish to participate in the project in their own right. In targeted research projects, this should be avoided unless they have something technical to contribute. In IPs and/or NoEs, such a participation is specifically allowed for at 100% funding. It should only be used to cover the administrative and financial part of the coordination, not the technical direction or strategic project management. In particular they should not be permitted to chair the management board.

#### **6.3.5 *Problems with Success Fees in FP6***

As mentioned in the introduction to this chapter, when a contractor signs a contract with the Commission, only the overall project budget is defined, not the split between participants. There may be some consideration of this in the collaboration agreement but only details for the first eighteen months would be known for IPs for example. Thus a success fee based on a percentage of funding contracted is actually impossible to assess. Percentage success fees as outlined under 6.3.2 or 6.3.3 above must be defined differently. Some options are –

1. Move to a fixed success fee
2. Have a percentage based on total project funding (lower of course)
3. Have it based on the indicated funding breakdown as per the contract with the Commission
4. Have it paid as advance payments are transferred on an annual basis.

## **6.4 Points to watch**

Be aware of the effect of the various practices of consultants can have on your proposal and the benefits accruing to you as a result. I outline below some points to look out for and only to agree to them if you understand the implications.

### **6.4.1 FCF instead of FC**

In FP6 SMEs have a choice of using FC or FCF cost model. It appears that for all SMEs, regardless of size, it may be more advantageous to use the FC (Full Cost) basis for calculating costs. However this implies a check on the level of overheads that would be allowable and this requires expertise on the Framework rules as well as a knowledge of accounting practice. However some consultancies do not have the expertise to correctly assess these aspects. They also may not wish to subcontract a knowledgeable accountant to check it – even though it would normally be an activity that could take only a half-day. Thus they may suggest that an SME use the FCF (Full Cost with Flat rate Overhead) basis, as this allows 20% overhead without any justification. I believe that all SMEs can justify more than this. It is prudent and worthwhile to employ a financial consultant with knowledge of the Framework Program financial rules.

### **6.4.2 Rights to the Output**

Please ensure that the work done by the consultant on your behalf and paid for by you belongs to you and he has no rights in it. i.e. If a proposal is produced by the consultant, it belongs to you. That you receive the source without any copyright or restrictions. For example you can reuse it for some other purpose or even give it to another consultant or subsequently resubmit it to a different call without him.

### **6.4.3 Last minute pressure**

This is where someone undertakes all the work in preparation of a proposal but at the last minute refuse to submit it unless you pay more than previously agreed. The best way to minimise this is to have a written contract with the consultants and at a minimum a signed agreement with partners well before the cut-off date.

Such problems can also occur with partners. Again, it happened to me on my first proposal in the early eighties. At that time one of our key partners refused to sign the proposal the day before the deadline, unless we gave them a much larger portion of the work. They of course said it was their MD who was insisting. Without them, we could not have submitted and there was insufficient time to get someone else involved. A “heads of agreement” up front could have avoided much conflict.

### **6.4.4 Consultants signing up your partners**

Consultants may undertake work on your behalf and as part of their contract explicit or implicit, insist that any potential partners also sign consultancy contracts with them. Under some circumstances this may be acceptable but at a minimum you should be made aware of this and agree to this in advance because it can result in some of the best prospective partners for you in a business sense being lost. Experienced or large organisations may not agree to such an arrangement and you most likely will end up with a consortium made up of only other inexperienced, small organisations and this will have a much lower chance of success as well as perhaps not meeting your business goals.

### **6.4.5 Consultants adding you into a consortium where they are already being paid by coordinator**

This is the corollary to 6.4.4 when a coordinator is paying a consultant to help them build a consortium and submit a proposal and he then asks you for additional funding with or without the knowledge of the coordinator. This puts him in a major conflict of interest. You should insist in your contract with you of any other financial interests he may have in this same proposal.

### **6.4.6 Ensuring you agree with proposal**

I am aware of cases where consultants have prepared a proposal and submitted it without it really being understood by the main organisation involved. I have done this myself in the past as a consultant. This

may be because no one in the organisation has had the time or the personal commitment to work on it or even to read it closely. It also may be because the consultant did not give you a reasonable opportunity to react or sufficient explanation of the options or consequences of the proposal. In any case, it is vital that you do take the time and understand and agree with what is being proposed in your name.

#### **6.4.7 Use of CRAFT**

As previously explained, CRAFT is a type of project where multiple SMEs that don't have an R&D capability require a third party to develop some new technology on their behalf. However the SMEs involved need to fund the other 50% of the R&D and the Research Organisation will not have IPR rights for the work undertaken, even though they will get 100% funding. Most R&D organisations are Universities or research institutes and would in any case under an RTD project get 120% funding and they will own the IPR at the end.

#### **6.4.8 Ensure access to all information**

I have seen consultants receive important feed back from external sources such as the NCP or the appropriate Project Officer in Brussels and it not being passed on in full to the customer. Especially when you are dealing with technical subjects, I believe it important for the customer to automatically be copied on all correspondence. Examples of this include clear statements that the subject of the proposal is unsuitable. Some consultants may be understandably reluctant to pass this on and subsequently lose the business. I myself have had on several occasions to deal with upset proposers whose proposal failed for a fundamental reason that myself or the project officer had foreseen and told the consultant but this had not been passed on.

#### **6.4.9 Pressuring you to be Coordinator**

As the Coordinator of a proposal normally has to commit more resource to its preparation as well as in the subsequent project, consultants see more lucrative work opportunities open to them when they work with Coordinators. There is therefore a natural tendency to encourage customers to be the Coordinator. As projects on average usually have four or five partners, the majority of participants are not Coordinators. In section 3.4.1 above, I outlined the benefits and drawbacks of being the Coordinator. These should be the guiding principals and not the consultant's interests.

In a country relatively new to the Framework Program, there is much less experience with the internal working of projects and therefore it would be normal for the percentage of Coordinators to be proportionally less. A 10% Coordinator rate in approved projects would even be on the high side for newer countries. Thus there should be considerable opportunities for consultants to assist people to be normal partners. This would have less of an emphasis on proposal writing and more on identifying suitable opportunities and consortia and assisting with the planning and negotiation and budgeting. In total effort, it could well be equivalent to the work for a Coordinator. My plea is for consultants to also suggest this more frequently than they currently appear to do.

Of course the other end of the scale is where the client pays for the consultant to build the consortium and prepare the proposal, but for some reason that client is not put forward as the coordinator. Some times this is correct, but it should be ensured that his up front commitment is somehow reflected in his official role in the project.

**As you have a much better chance of success being a partner in a consortium that is lead by one of the key industrial players, consultants can really assist their clients by getting them involved in such suitable consortia. This can take just as much effort as writing a proposal and not only would you have a better chance of success, but also the resulting business relationships could be much more beneficial.**

## **6.5 Summary**

Using consultants correctly can enhance your likelihood of success, but they don't come cheap. A consultant who is willing to work 100% on success fee, is likely to be underemployed with other customers and you must draw your own conclusions on the reason why.

Most consultants would normally be open to negotiation on their fees, so explore their flexibility.

When you take up their references with previous satisfied customers, ask them what they paid.

Ask the consultant who would actually be doing the work - many times consultants may off load onto third parties and free lance consultants. Insist on meeting and checking out the persons who will be working on your behalf.





## 7 What to do when your proposal is to be funded

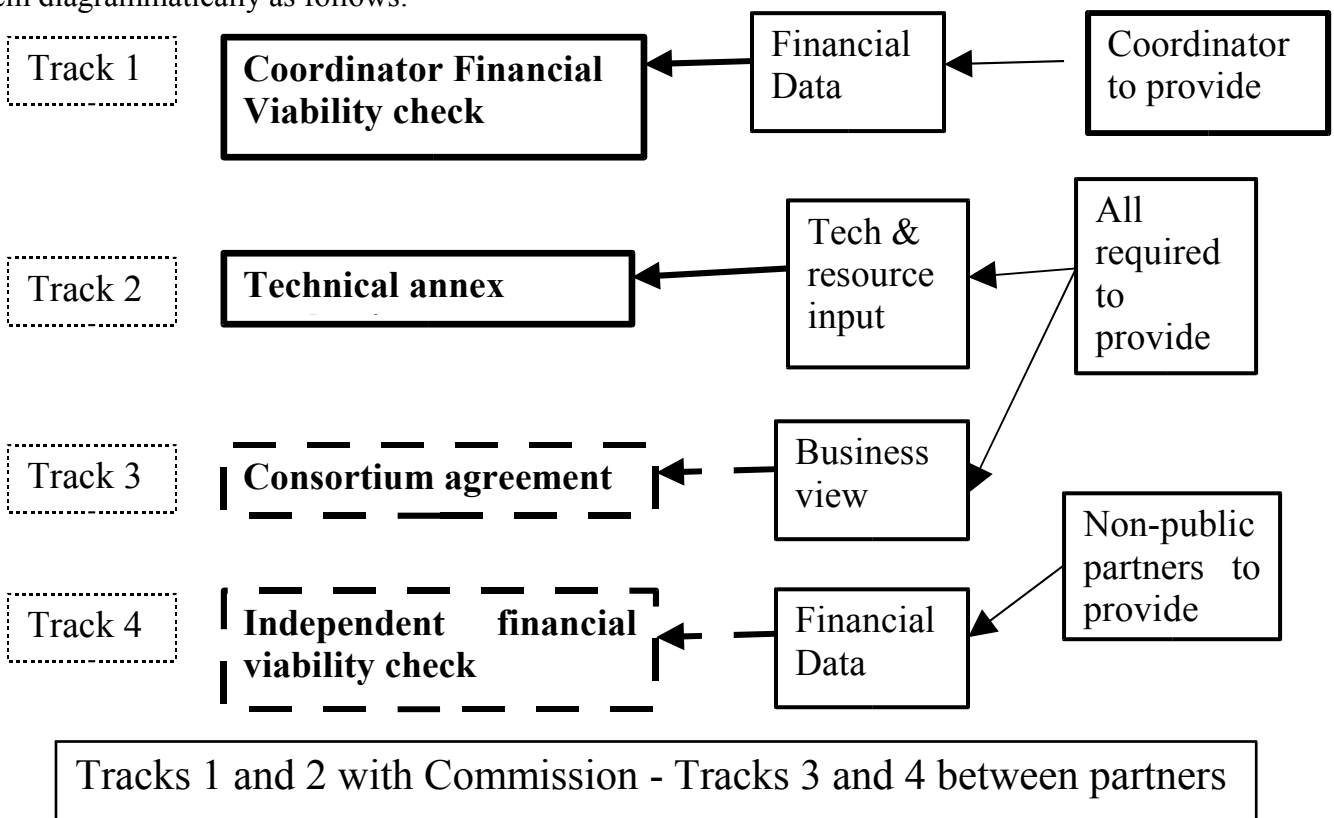
If you are the Coordinator, you will initially hear informally (but in writing) from the Commission about the disposition of your proposal and you should forward this immediately to your partners in the consortium. If you are not the Coordinator, ensure he passes on the feed-back immediately to you. In the past, preliminary results frequently leaked. Leaks originate from evaluators, project officers and even more senior Commission staff. In some countries the Program Committee delegate may also notify the result informally.

However, as noted elsewhere, the process in FP6 is slightly different for the new instruments because for IPs and NoEs proposals passing the initial evaluation are then invited to appear before the evaluation panel to answer questions. Final decisions on pass, fail and relative rankings will only be made for those after the hearing.

The process in FP6 is different from FP5 and based on experience of the first three call negotiations, it is along the following lines. Mistakes were done in the first call negotiation and some were corrected in the second call negotiation and further refined in Call 3. Remember it is also possible at this stage to slightly modify the consortium and/or to change co-ordination to a different partner.

### 7.1 Contract Negotiation

I have outlined this previously – but in essence via the coordinator, the consortium is invited to contract negotiations with the Commission. In parallel, several activities need to happen. I have tried to illustrate them diagrammatically as follows:



#### 7.1.1 Collective responsibility

The detailed financial checks carried out by the Commission were supposed to be only on the coordinator unless there is no collective responsibility. In 99% of consortia, there is – but how do you check? The easiest way is as follows –

Look at the organisations in the consortium and their respective funding, ignoring Universities,

government companies and institutes etc. which are taken to be guaranteed by a government. If the grant for any single remaining organisation is less than the sum of all the other grants of remaining organisations, then there is collective responsibility and only the coordinator is required to submit an A6.

Note – that in cases where there is not collective responsibility in a consortium, then the process is modified and could well include the Commission doing financial viability checks on selected other participants.

However, as alluded to above, the practice is slightly different. Within DG INFSO they have left it up to individual Directors how to interpret the Financial Regulation within their Units. There is some personal responsibility implied on a Director about the financial fitness of each partner. Some Directors as a result feel they have to do a more detailed financial check on each industrial partner, especially those new to the program. This gets confused with checks that the partners may wish to do on each other. Other Directors may feel that if they do a check and then accept a participant, if that participant eventually defaults, the other partners may have some legal claim on the Director for approving them!

### **7.1.2 General - Handling of CPFs**

There is a lot of mystique surrounding this aspect of the process, however the rules and procedures are clearly laid out and documented. It is a key activity as it allows you to modify your proposal and even change the consortium and funding under certain circumstances.

The process is initiated by a letter from the designated Project Officer to the Coordinator inviting him on behalf of the consortium to enter into negotiations on a contract. In parallel he will receive a package of material and a timetable for the negotiations. Several dates will be suggested for meetings in Brussels or Luxembourg to initiate the negotiations. By that initial meeting the Coordinator will generally have to -

- Prepare first draft of the Technical Annex
- Have to have the Contract Preparation Forms (CPF) ready from each partner
- And, in parallel should deal with the Consortium Agreement
- Legal incorporation papers for any partners who are new to FP6

During the negotiation under some circumstances, there is some opportunity to change partnership/Coordinator.

The tool to be used by the coordinator to prepare the Contract Preparation Forms (CPF) is the CPF Editor. This editor, like most software that the CEC has outsourced, is rather sad. It appears to have more than its rightful share of usability problems. Persevere with it and you will succeed. We note the following problems with it -

- The partner order is not maintained automatically, it changes according to the order that the partner information is imported. Imported information is automatically placed at the end.
- If you are looking at a partners A2a form and wish to see their A2b form you have to find it by going through all the partners in their new, disorganised, order to see it. The same applies if you then wish to see the same partners A2c form.
- If you, as the coordinator, have changed the A3 forms and then import a participant, you are not able to import only the administrative information. The partners section within the A3 form will be overwritten, back to the original information.
- There is no export facility. Participants receive all the forms.
- How can participants review their filled-in forms? The coordinator's financial information is in the cpfs – so he does not want to send them everything. In addition, there is no 'print to file' option at all, let alone only for individual participants. The only way would be to take another copy of the 'cpf master file' and delete information until only an individual partners information is left.

- The print facility is very bad. It does not let you have your normal print options e.g. Print two to a page.
- You cannot choose which specific pages you wish to print, without a whole lot being printed.
- Worst of all, when you print, it prints them in the order that appears online – it does NOT collate them at all. It takes a long time to get all the forms in the correct order.

The process in FP6 is different from that in FP5. At the start of contract negotiations the project officer will send the coordinator a set of electronic CPFs, that already contains some of the known information. They consist of A1, A2, A3, A4, A5 and A6 forms – with A2 having multiple sheets.

1. A1 General Information and Abstract
2. A2 a, b and c Information on partners (one set per partner)
3. A3 Financial information on the project (multiple sheets)
4. A4 Coordinators bank information
5. A5 Confirmation of additional financial information (coordinator)
6. A6 Simplified balance sheet and P&L account (coordinator)

Note that all partners fill in A2 sheets but only the coordinator fills in the rest – subject to some rules regarding collective responsibility (see above under 7.1.1 and the coordinator being a commercial organisation).

It is almost mandatory for the coordinator to supply the forms via the CPF Editor, as in Brussels it is then a simple process to plug it into their in house systems. It is probably easiest for the coordinator to send each partner his A2 forms and he can then fill them in by hand and fax them back for the coordinator to enter into the Editor. Of course the correct way is for each partner to do it electronically himself using the editor and emailing it back to the coordinator. In practice it may end up as a combination depending on abilities of the partners. However you should download the paper CPF forms as they have useful explanatory notes on the different fields.

Please note that eventually the project officer will require signed CPFs. But initially they should be submitted electronically unsigned until they are all accepted as correct then signed versions need to be collected and forwarded via the coordinator. It is always good practice for each partner to fax a signed version to the coordinator in parallel to mailing it to him and for the coordinator to fax on a full signed set to the project officer - this allows him to initiate the approval process a little faster.

### ***7.1.3 Financial Viability of Coordinator***

It is advertised that one of the benefits of FP6 over FP5 is that they have eliminated the Financial Viability checks. This is not exactly correct. They have moved the responsibility to the consortium itself. There are two aspects, the Coordinator and the other contractors. I deal with the latter under 7.1.3 below. However the Commission will transfer funding to the consortium via the Coordinator and public money must be handled in a "safe" fashion. Thus the Commission will have to look at the Financial Viability of the Coordinator. This is represented above by Track 1. Due to the more prominent position of the coordinator in FP6, the financial viability controls will be significantly stricter.

### ***7.1.4 Financial Guarantees/Assurances***

Because of the new collective responsibility aspects of the contract, commercial (i.e. non-public) organisations will share financial liability for the others. Thus it is advisable for the industrial partners to undertake some check of their own on the potentially financially weaker partners and perhaps request some guarantees.

Under previous Framework Programs, during contract negotiations, most companies were requested to supply internal financial data to the Commission, so their financial viability could be determined prior to the Commission authorising them to receive prepayment of part of their research grant. It has been accepted practice that companies who were reluctant to supply this sensitive information via their

coordinator, did so directly to the project officer.

In FP6 the situation is different in that under the new Model Contract, the coordinator appears to have much more autonomy and unilateral power. However the Contract Preparation Forms required by the Commission contain the A5 and A6 parts under which industrial coordinators have to supply - audited financial accounts for last three full financial years. Financial information for last full financial year as per the A6 form, is basically a simplified balance sheet and P&L account. The rules and tool for use of CPF Editor and the Coordinators Guide to Contract Negotiation is rather complicated with respect to forms A5 and A6. It is easily interpreted by coordinators as requiring all industrial partners to fill in A6 and give their financial information to them. After the initial calls this is a broad occurrence. We have seen cases of companies not wishing to give this information to a coordinator who happens to be a major competitor. Because of the new felt power of coordinators the response is usually "give us the information or you are out..."

Particularly IPs are meant to mobilise sectors and this means generally competitors working together. However, there are many other reasons why a company, quite correctly, would not wish to provide this information to other organisations. It is not just potential conflict of interest with competitors, there is the whole issue of large companies perhaps wishing to buy out SMEs for their technology where internal financial knowledge could be beneficial or could be used as a lever in Consortium Agreement negotiations etc.

How companies can determine the financial viability of their partners because of the collective responsibility is a separate but related issue that be solved by use of a trusted third. I suggest that coordinators – in fact the project core team as a whole, if one exists, defines the financial criteria each non-public body partner needs to fulfil. They then supply it to some third party and each effected partner provides the third party the information. This third party would then attest to them meeting or not meeting the criteria. The third party could most easily be each organisations external auditor who would in any case have to check future cost statements. This would reduce or eliminate the costs of this exercise.

In cases where partners do not meet the criteria, financial guarantees could be requested, advances could be limited or not given or funding could be given as work is completed.

#### ***7.1.5 Negotiation on Annex 1***

The principal activity during contract negotiations is to agree the exact content of the work to be carried out. An outline and roadmap is usually required for the entire project but more detail for the first period. In IPs and NoEs a detailed plan is required for first eighteen months.

This is an opportunity for some modifications, either initiated by the consortium in the light of events since submittal of the proposal or more likely as a result of suggestions by the evaluators and/or requests from the Commission. Any such changes are only allowed with the agreement of the Project Officer and his major concern is that the essence of the proposal evaluated has not changed.

#### ***7.1.6 Funding Distribution between partners***

The indicated breakdown is included in the contract but is not as binding as it was in the past and can be reallocated within the consortium. Thus understandings on this between the partners should be included in my suggested Memorandum of Understanding and the Consortium Agreement.

## **7.2 Consortium Agreement**

This is between the partners and the Commission will not wish to see it. However this is a mandatory document for all RTD projects that must be prepared and signed by the partners prior to official start of the project and by each additional partner prior to him joining the project. I suggest that it should be based on a Memorandum of Understanding signed by each partner as they join the consortium prior to proposal

submittal.

In view of the larger flexibility which is offered to FP6 contractors, and in order to make the most efficient use of it, they are obliged to enter into a specific consortium agreement, unless this has been exempted by the call for proposals. The Consortium Agreement sets out the internal management guidelines for the consortium and can provide for arrangements relating, for instance, to the granting of specific access rights in addition to those provided for in the standard IPR provisions. This is likely to be helpful in many projects, although the new IPR provisions were developed in such a way as to be self-sufficient, i.e. to make it possible to execute a project without defining additional IPR provisions.

Consortium Agreements may not conflict with the provisions of the contract or the Regulation. Although, the participation rules state that Consortium Agreements are mandatory, except where otherwise provided in the call for proposals, they do not specify what they must contain. Accordingly, this requirement does not conflict with any flexibility objective and should not be seen as an administrative burden, but as a signal drawing the attention of the contractors to the importance of Consortium Agreements.

Nothing prevents the contractors to prepare several consortium agreements governing different aspects of their project (some before the signature of the contract and some possibly after), or to amend their initial consortium agreement or to make bilateral or other arrangements involving smaller groups of contractors.

A check-list for consortium agreements is available in the Commission rules site FP6. Additional information relating to consortium agreements, are available, notably from the IPR-Help-desk. Since the Consortium Agreement is a "private" agreement involving only the contractors, the Commission does not sign it and will not even check its contents. Nevertheless, the contract with the Commission will always prevail in case of conflicts with the consortium agreement, even in those cases where a Commission staff would have received the text of the Consortium Agreement and would not have raised any objections.

Technical co-operation contracts could include any or all of the following clauses:

### **7.2.1 Consortium Check-list - Outline of Contents**

1. General Information (Identify each party to the agreement – Contractor(s) to the EC contract).
2. Preamble (Subject of the Consortium Agreement) including definitions based on the contract, Rules and any additional definitions as needed by the consortium).
3. Subject of the contract (Title of project).
4. Technical provisions
  - o Technical contribution of each party (as set out in Annex I to the EC contract);
  - o Technical resources made available;
  - o Production schedule for inter-related tasks and for planning purposes
  - o Expected contribution, maximum effort expected
  - o Modification procedure;
  - o Provisions for dealing with non-performing contractor(s).
- 5 Commercial provisions
  - o Confidentiality;
  - o Ownership of results / joint ownership of results / difficult cases (i.e. pre-existing know-how that is very closely linked to the result, making it difficult to distinguish the pre-existing know-how from the result);
  - o Legal protection of results (patent rights);
  - o Commercial exploitation of results and any necessary access rights; Commercial obligations;
  - o Relevant patents, know-how, and information;
  - o Sub-licensing;
  - o Pre-existing know-how excluded from use in the project.

- 6 Organisational provisions
  - o Committees – establishment, composition, procedures, role and nature:
  - o Steering, management, technical, IPR, financial etc.;
  - o Co-ordination of committees;
  - o Amendment / revision of the agreement.
- 7 Financial provisions
  - o Financing plan;
  - o Modification procedure; Mutual payments, common costs;
  - o Distribution of management costs;
  - o Auditing of costs:
  - o Audit certificates;
  - o How to deal with financial collective responsibility;
  - o Provisions for dealing with non-performing contractor(s);
  - o Third party resources - identifying parties and resources.
- 8 Legal provisions
  - o Legal form of the co-operation;
  - o Duration of the agreement versus duration of the EC contract (i.e. 6 months one year longer, etc.)
  - o Penalties for non-compliance with obligations under the agreement;
  - o Applicable law and the settlement of disputes;
  - o Secondment of personnel;
  - o What to do if all the contractors do not sign the EC contract.

In addition I suggest that the following also be considered -

1. Distribution of the 100% management provision between partners
2. Distribution of the effort and funding between the partners
3. Process and rights of new participants added into the running project
4. Participation in competitive projects
5. Possible identification of a core project team, its membership and authority

### 7.3 Project Initiation

When the negotiations complete successfully the Project Officer will seek the approval of program committee and in parallel prepare the contract for signature. There also has to be a formal Commission decision to award the contract. Eventually the partners or their representatives will sign the contract. When the coordinator and the Commission sign the contract, unless otherwise stipulated, the project will officially start on the date as indicated in the contract. This can be backdated to the date at which the project officer has a complete set of signed CPFs and an agreed Technical Annex or more normally, the first of the month following this. Additional contractors can join as they sign. Only costs incurred from that date will be recognised provided that they fall within those allowable by the contract. The initial payment to Coordinator will be made within 45 days of contract signature. It is normally fixed at 85% percent of the first period's budget (normally eighteen months for an IP or NoE) and should be divided by the Coordinator between the partners as per their proportion of the initial budget as specified in the Consortium Agreement. The Coordinator should forward the advance to each partner as soon as possible in Euros without any charges.

Most important advice for the Project Manager is **“READ AND BE FAMILIAR WITH THE CONTRACT AND ITS ANNEXES. (DON'T FORGET ANNEX 2!)”**

It is normal within a couple of weeks of project start to have a kick-off meeting - usually hosted by the Coordinator. It is also normal good practice to invite your Project Officer to attend part of the kick-off meeting. At that meeting the Project Manager should get agreement on his proposal of how the project will be managed and controlled - the so called "project handbook". Any outstanding issues related to the

Consortium Agreement should be resolved and the detailed project plan and future meeting schedule agreed.

## **7.4 Cash flow during a typical project**

A frequent misconception is how long payments take after submitting cost statements. In Annex 2 to your contract it will probably say that deliverables are deemed approved if the Commission don't make observations within 45 days of receipt. They usually have 45 days to pay after they are approved or deemed to have been approved. Of course frequently they ask for clarification after 40 days and that effectively stops the clock. It is not unusual for payments to take 6 months. It is hoped that with the audit certificates such long waits will be a thing of the past. Note that if the Commission are late in payment (as defined in the contract) you are entitled to claim interest.

A normal event for payment delays is that one or more partners don't supply their cost statements to the coordinator in time. The consortium agreement should stipulate that any partner more than x days late than requested date will have his cost statement delayed until the next period as only a single combined cost statement can be submitted by the coordinator. It is unfair for all partners having their payments delayed because of the incompetence of one. If the late one is your coordinator – tough luck – you have a major problem!

## **7.5 Problems during the project**

It is vital to establish a good working relationship with the Project Officer. If you are not the Coordinator, then do it on your own. When you happen to be in Brussels set up an informal meeting to get to know each other and perhaps invite him to lunch. This meeting should not be portrayed as being directly related to the project but rather more related to helping you understand the area under his control to potentially identify other things of interest and of course to get to know each other and the ways of working.

Projects themselves should treat the Project Officer as a member of the team and he should be invited to project meetings and events. This is a team game – and both the partners and the Project Officer have a stake in its successful outcome.

It is important to understand the ethos behind the contract. It is not the intention of the Commission to hold companies to ransom for two or three years and force them to undertake work that perhaps, because of external or internal events, is not in their commercial interest to do. There should be a critical review every year or when there is a significant related event. In this review it may become obvious that the original intentions of the project are no longer valid and some hard decisions must be made. In my own experience I can identify the following – I shall discuss them individually and then look at the options and their potential impact.

1. Partner problems
2. Technical problems
3. Market problems
4. Problems with the Commission
5. Contract changes

### **7.5.1 Partner problems**

A partner organisation may die on you during the project i.e. they stop working or notify you they are leaving the project. In either case it is up to the Coordinator as soon as possible to contact the partner in question to confirm the situation. It is important for any such communication to be written. If it is not, then confirm the conversation in writing. As there may well be legal implications having a written log is vital. The next step is to escalate it to the partner's senior manager – the person who signed the contract on their behalf. It is important to remind them of the terms of the contract and that if they are in breach, they will have to repay any monies received such as the advance payment. In parallel it is important to

keep the Project Officer in the picture and listen to his advice. If the partner in question is the Coordinator – and this has happened to me – then contact the Project Officer as soon as possible to decide on the best course. It may also help to involve the delegate to the relevant Program Committee of the partner in question.

In most such cases, the remaining partners generally succeed in completing the project, either by splitting the work between them or via a contract amendment inviting a substitute organisation to join the consortium. It is also useful to discuss the emerging situation with your own relevant Committee representative for help and advice.

### **7.5.2 *Technical problems***

Sometimes, as a result of work undertaken in the project, it becomes obvious that for technical reasons the original goal is unachievable to the point it is a waste of effort to continue. Here it is important to recall that RTD projects are intended to push forward the state of the art. The Commission sees their funding as compensation for the implied technical risk. It is therefore normal that in a fair percentage of projects, it becomes apparent that the technical goals are unachievable – to the point of the results being unexploitable commercially. If this is not a result of consortium negligence and they have used their best efforts, it should be possible to close the project down with everyone being paid to date for the work undertaken. There is a result from the Commission's point of view and that could be seen as a particular line of research not being fruitful. This should be documented in the final report and the project wound up amicably.

On the other hand, it may be possible to modify the project within its overall objectives and achieve meaningful results. It is basically up to the discretion of the Project Officer as to whether the change would be within the overall framework of the current contract or not. He would generally seek the support of the external technical reviewers. Thus it may be possible to modify the project significantly and continue. This of course would require the agreement of not just the Project Officer, but also all the consortium.

Given the likelihood of this occurring in higher risk projects, it is prudent to have written into the project plan technical checkpoints at strategic times. This would allow for assessment and potential replanning. Such foresight makes it much easier to change direction or wrap up the work, if it should prove necessary.

### **7.5.3 *Market problems***

As the IT industry is extremely dynamic, external events may occur that results in it no longer making commercial sense to continue agreed work as it stands. Such events could include any of the following –

1. A market player coming out with something your project will not have for say two years.
2. A market discontinuity that you believe will result in technology moving in a different direction such that there will probably not be a market for your results.
3. Some other external event such as legislative that will drastically reduce the market viability of your results.

As for the scenario outlined above, assuming you are not in contract default, there are two basic choices if you have the agreement of both your partners and the Project Officer. These are to wind up the project amicably with everyone being paid for work to date or to seek to modify the project to take account of market changes where there is a sensible path forwards. This second option happens to some degree in most projects, even if it is to take account of accommodating or interfacing to new artefacts that appear on the market. Ideally again, such a likelihood should be foreseen in the project plan.

### **7.5.4 *Problems with the Commission***

From your point of view and that of the consortium, everything is going well but there is some problem as seen by the Project Officer or the external reviewers. This is not the best time to introduce as a reason one



of the previous three situations. It is essential you involve the Project Officer immediately, even if only off the record, if you suspect one of the previous problems occurring. Some research areas have a formal procedure to highlight problems as seen by the Commission generally after an annual review. They are flag raising – An orange flag is a major warning that in the Commission's view the project is in default of contract and a get well plan needs to be agreed and implemented. A red flag means that the Commission does not believe that the project can be saved and steps are to be taken to close the project down. In that case it is sometimes possible to negotiate that not all money needs to be repaid, depending on circumstances. However, there is a real danger that this may not be possible.

If the situation arises in which such steps are initiated “out of the blue” then there has been a major disconnect between the Project Manager and the Project Officer. The problem may be entirely on one side, but generally there is blame on both sides. Such surprises would not occur if there is good, open communication between them. It generally will result in some additional work having to be undertaken, frequently unfunded, or some work or deliverables being redone. With good will it is frequently possible to prevent getting to an orange flag, red flag situation.

A common reason for this type of problem is when Project Officers are changed and understandings reached with the original one are undocumented and/or the new has a completely different view or approach to the project. As part of resolving all disputes of the above nature, it is a good idea to discuss it with your country committee representative, as frequently he can interface with the Project Officer in question and his management to get the other side of the story. The potential solutions for each type of problem are tabulated below -

Type	Options	Notes
<b>Partner problems</b>	<ul style="list-style-type: none"> <li>• Force them to continue</li> <li>• Force them to complete current responsibilities</li> <li>• Sue them and divide the work</li> <li>• Bring in a replacement</li> </ul>	<ul style="list-style-type: none"> <li>• Involve PO ASAP</li> <li>• Involve senior management</li> <li>• Involve program committee representatives</li> </ul>
<b>Technical problems</b>	<ul style="list-style-type: none"> <li>• Conclude the project</li> <li>• Modify the project significantly</li> </ul>	Assumes work was undertaken properly
<b>Market problems</b>	<ul style="list-style-type: none"> <li>• Conclude the project</li> <li>• Modify the project significantly</li> </ul>	Assumes work was undertaken properly
<b>Problems with the Commission</b>	<ul style="list-style-type: none"> <li>• Convince Project Officer it is OK</li> <li>• Undertake some additional work</li> <li>• Redo some work</li> </ul>	It may be necessary to escalate within the Commission i.e. to Head of Unit level but I suggest you involve program committee representatives

It should be also noted that as part of resolving any of the above problems it is usually necessary to replan the work. Such replanning could involve extending the project timeframe, but generally there is little chance of additional funding. With such replanning it is possible to drop some partners and/or bring some new partners in but only with the agreement of the Project Officer and the consortium.

### 7.5.5 Contract changes

Any project replanning that would result in extending the contract or making a major change in the content of the work requires a contract amendment that has to go through a laborious process in Brussels and can take several months. With respect to increasing the contract timeframe – this frequently occurs and is fairly normal, however if you need to do this be extremely sure you can hold to the new timeframe. It is much more difficult to get a second extension. If you are unable to spend all your allocated funding within the contract period including any extensions, any work done subsequently in order to complete the contract will be at your own expense and the balance of the funding will be lost.

## **7.6 Project end**

The project formally finishes on the date as defined in the contract unless some extension has been agreed. Expenses incurred after this date are not chargeable unless specifically allowed in the contract. For example it is normal to allow up to sixty days for charges related to preparation of the Final Report and for Dissemination activities. But only incurred by the coordinator. Check the contract.

## **7.7 Potential audits**

The Commission reserves the right to request a financial audit up to five years after the end of a project. It is an individual contractor that is audited and not a project. An audit could impact any and all projects the contractor has carried out under a framework contract. Audits are carried out on site usually by a local accounting company contracted by the Commission for this purpose and having no conflict of interest. I believe about 10% of participants are audited. Some of those are random and some are when there is suspicion of some irregularity. Contractors who have undertaken many/large projects are more likely to be audited.

The draft audit report is first given to the contractor for comments as is the final audit report. Any such contractor comments if provided, will be given to the Commission with the final report if the contractor does not agree with its contents. It is then up to the Commission to decide what action to take if any. Action can include claims for repayment of funds or for payment of funds if errors are found in the contractor's favour.

## Appendix 1 European Union

### A1.1 States Participating in the Framework Program

#### A1.1.1 *Member States*

The European Union is comprised of the following twenty five member states -

- Austria
- Belgium
- Cyprus
- Czech Republic
- Denmark
- Estonia
- Finland
- France
- Germany
- Great Britain
- Greece
- Holland
- Hungary
- Ireland
- Italy
- Latvia
- Lithuania
- Luxembourg
- Malta
- Poland
- Portugal
- Slovakia
- Slovenia
- Spain
- Sweden

#### A1.1.2 *New Member States*

Note that the following countries became member states on 1 May 2004.

- Cyprus
- Czech Republic
- Estonia
- Hungary
- Latvia
- Lithuania
- Malta
- Poland
- Slovakia
- Slovenia

#### A1.1.2 *Associated Candidate Countries*

In addition, the following States are considered to be Associated Candidate Countries, "ACC" in the Framework Program -

- Bulgaria
- Romania
- Turkey

Note that Croatia is currently in an anomalous position as it is Candidate country but not an Associated State. i.e. unlike Bulgaria, Romania and Turkey they are not equal members within the Framework Program and are treated as a third country from a funding point of view.

#### A1.1.3 *Other Associated States*

The following countries are Associated States -

- Iceland
- Israel
- Liechtenstein
- Norway
- Switzerland

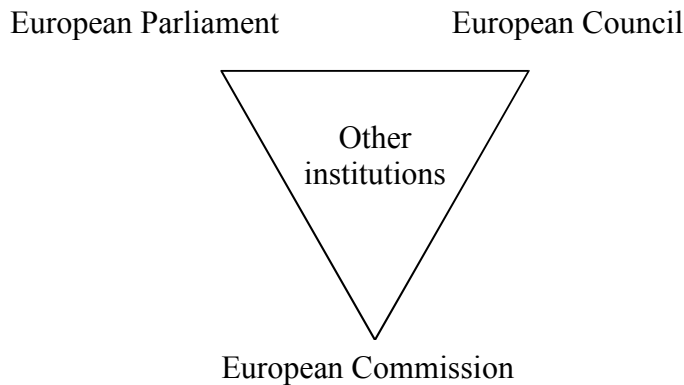
Three of them i.e. Iceland, Norway and Liechtenstein are designated as EFTA-EEA - the European Free Trade Area and the European Economic Area which have special status with the European Union.

The Association Agreement with Switzerland came into effect on 1 Jan 2004 and their funding now comes from the EU.

### A1.2 Organisation of the European Union Institutions

The European Union "Government" has three primary institutions and several other minor ones that I will not elaborate here. From the Framework Program perspective the most important entity is the Commission but it is best to view it in context with the other two major institutions it interfaces with, the

European Parliament and the European Council. In effect, at the highest level the EU is governed by a triumvirate as follows -



### ***A1.2.1 European Parliament***

Elected every five years by direct universal suffrage, the European Parliament is the expression of the democratic will of the Union's 374 million citizens (closer to 500 million after 1 May 2004). Brought together within pan-European political groups, the major political parties operating in the Member States are represented. Parliament has three essential functions:

- It shares with the Council the power to legislate, i.e. to adopt European laws (directives, regulations, decisions). Its involvement in the legislative process helps to guarantee the democratic legitimacy of the texts adopted;
- It shares budgetary authority with the Council, and can therefore influence EU spending. At the end of the procedure, it adopts the budget in its entirety;
- It exercises democratic supervision over the Commission. It approves the nomination of Commissioners and has the right to censure the Commission. It also exercises political supervision over all the institutions.

### ***A1.2.2 Council of the European Union***

The Council is the EU's main decision-making body. It is the embodiment of the Member States, whose representatives it brings together regularly at ministerial level. According to the matters on the agenda, the Council meets in different compositions: foreign affairs, finance, education, telecommunications, etc. The Council has a number of key responsibilities:

- It is the Union's legislative body; for a wide range of EU issues, it exercises that legislative power in co-decision with the European Parliament;
- It co-ordinates the broad economic policies of the Member States;
- It concludes, on behalf of the EU, international agreements with one or more States or international organisations;
- It shares budgetary authority with Parliament;
- It takes the decisions necessary for framing and implementing the common foreign and security policy, on the basis of general guidelines established by the European Council;
- It co-ordinates the activities of Member States and adopts measures in the field of police and judicial cooperation in criminal matters.

### ***A1.2.3 European Commission***

The European Commission embodies and upholds the general interest of the Union. The President and Members of the Commission are appointed by the Member States after they have been approved by the European Parliament. The Commission is the driving force in the Union's institutional system:

- It has the right to initiate draft legislation and therefore presents legislative proposals to Parliament and the Council;
- As the Union's executive body, it is responsible for implementing the European legislation (directives, regulations, decisions), budget and programs adopted by Parliament and the Council;
- It acts as guardian of the Treaties and, together with the Court of Justice, ensures that Community law is properly applied;
- It represents the Union on the international stage and negotiates international agreements, chiefly in the field of trade.

The Commission itself is subdivided into a number of Directorate Generals which are equivalent to Government Ministries. Each is headed by a political appointee, the Commissioner, equivalent to a government Minister. Under him is the Director General, who is equivalent to the top civil servant in the Ministry and is responsible for the day to day running of the DG.



## Appendix 2 Useful Information Sources

The majority of the best information sources are available on-line. The problem is that there are so many. So I have tried here to indicate the best "portals" rather than give an exhaustive list via subject.

Unbiased as I am, I must recommend our own portal at EFP Consulting. We try to keep this as up to date as I can. In particular look under "documents", "partner search" and "technical topics".

The principal others are as follows -

Name	Link	Notes
Adventure projects	<a href="http://www.cordis.lu/nest/adventure.htm">www.cordis.lu/nest/adventure.htm</a>	Under NEST
Article 169	<a href="http://www.cordis.lu/fp6/instr_169.htm">www.cordis.lu/fp6/instr_169.htm</a>	
Calls for proposal	<a href="http://fp6.cordis.lu/fp6/calls.cfm">fp6.cordis.lu/fp6/calls.cfm</a>	Current open calls
Collective research project	<a href="http://sme.cordis.lu/collective/infobrochure.cfm">sme.cordis.lu/collective/infobrochure.cfm</a>	Part of SME program
Commission staff directory	<a href="http://europa.eu.int/comm/staffdir/plsql/gsys_page.display_index?pLang=EN">europa.eu.int/comm/staffdir/plsql/gsys_page.display_index?pLang=EN</a>	Includes all DGs – kept up to date
Common agricultural policy	<a href="http://europa.eu.int/comm/agriculture/index_en.htm">europa.eu.int/comm/agriculture/index_en.htm</a>	
Common fisheries policy	<a href="http://europa.eu.int/comm/fisheries/policy_en.htm">europa.eu.int/comm/fisheries/policy_en.htm</a>	
Consortium agreement	<a href="http://www.cordis.lu/fp6/stepbystep/consortium_agreement.htm">www.cordis.lu/fp6/stepbystep/consortium_agreement.htm</a>	
Consortium Agreement Check List	<a href="http://europa.eu.int/comm/research/fp6/working-groups/model-contract/pdf/checklist_en.pdf">europa.eu.int/comm/research/fp6/working-groups/model-contract/pdf/checklist_en.pdf</a>	
Contract negotiation	<a href="http://www.cordis.lu/fp6/contract-prep.htm">www.cordis.lu/fp6/contract-prep.htm</a>	Main link to info
Contract working group	<a href="http://europa.eu.int/comm/research/fp6/working-groups/model-contract/index_en.html">europa.eu.int/comm/research/fp6/working-groups/model-contract/index_en.html</a>	
Cooperative research project (CRAFT)	<a href="http://sme.cordis.lu/craft/home.cfm">sme.cordis.lu/craft/home.cfm</a>	Part of the SME program
Coordination action (CA)	<a href="http://www.cordis.lu/fp6/instrument-ca/">www.cordis.lu/fp6/instrument-ca/</a>	
CORDIS	<a href="http://www.cordis.lu">www.cordis.lu</a>	Prime Commission R&D site
COST	<a href="http://cost.cordis.lu/src/home.cfm">cost.cordis.lu/src/home.cfm</a>	Program outside of the FP
Cost models	<a href="http://europa.eu.int/comm/research/fp6/working-groups/model-contract/pdf/cost_model_en.pdf">europa.eu.int/comm/research/fp6/working-groups/model-contract/pdf/cost_model_en.pdf</a>	
Cost statements	<a href="http://www.cordis.lu/ist/cpfclaim.htm">www.cordis.lu/ist/cpfclaim.htm</a>	Active spread sheets
CPF Editor	<a href="http://www.cordis.lu/fp6/find-doc.htm#cpf">www.cordis.lu/fp6/find-doc.htm#cpf</a>	
CPF Editor users guide	<a href="http://www.iserd.org.il/ist/documents/Editor_users_guide.pdf">www.iserd.org.il/ist/documents/Editor_users_guide.pdf</a>	
DG Enterprise	<a href="http://europa.eu.int/comm/dgs/enterprise/move.htm">europa.eu.int/comm/dgs/enterprise/move.htm</a>	
DG INFSO	<a href="http://europa.eu.int/comm/dgs/information_society/">europa.eu.int/comm/dgs/information_society/</a>	Information Society DG
DG Research	<a href="http://europa.eu.int/comm/research/">europa.eu.int/comm/research/</a>	Research DG
eContent	<a href="http://www.cordis.lu/econtent/">www.cordis.lu/econtent/</a>	
EEIG	<a href="http://europa.eu.int/scadplus/leg/en/lvb/l26015.htm">europa.eu.int/scadplus/leg/en/lvb/l26015.htm</a>	
EFP Consulting	<a href="http://www.efpconsulting.com">www.efpconsulting.com</a>	
EPSS web site	<a href="http://fp6.cordis.lu/fp6/subprop.cfm">fp6.cordis.lu/fp6/subprop.cfm</a>	Proposal submittal system
ERA	<a href="http://europa.eu.int/comm/research/era/index_en.html">europa.eu.int/comm/research/era/index_en.html</a>	
ERA-NET	<a href="http://europa.eu.int/comm/research/fp6/era-net.html">europa.eu.int/comm/research/fp6/era-net.html</a>	Another program within FP6
eTen	<a href="http://www.ten-telecom.org/default.asp">www.ten-telecom.org/default.asp</a>	

Ethical review	<a href="http://europa.eu.int/comm/research/science-society/ethics/ethics_en.html">europa.eu.int/comm/research/science-society/ethics/ethics_en.html</a>	
Eureka	<a href="http://www.eureka.be">www.eureka.be</a>	
Euro exchange rates	<a href="http://europa.eu.int/comm/budget/inforeuro/">europa.eu.int/comm/budget/inforeuro/</a>	For use in cost statements
Europa	<a href="http://europa.eu.int">europa.eu.int</a>	European Union web site
EURAB	<a href="http://europa.eu.int/comm/research/eurab/index_en.html">europa.eu.int/comm/research/eurab/index_en.html</a>	
EURATOM	<a href="http://www.cordis.lu/fp6-euratom/home.html">www.cordis.lu/fp6-euratom/home.html</a>	
Euro Info Centres	<a href="http://europa.eu.int/comm/enterprise/networks/eic/eic.html">europa.eu.int/comm/enterprise/networks/eic/eic.html</a>	
European Space Agency	<a href="http://www.esa.int/export/esaCP/index.html">www.esa.int/export/esaCP/index.html</a>	
Evaluation Guidelines	<a href="http://www.cordis.lu/fp6/eval-guidelines/">www.cordis.lu/fp6/eval-guidelines/</a>	
Evaluator call	<a href="http://www.cordis.lu/experts/fp6_candidature.htm">www.cordis.lu/experts/fp6_candidature.htm</a>	To apply as an evaluator
Experts	As Evaluator above	To be an evaluator
Expression of interest	<a href="http://eoi.cordis.lu/search_form.cfm">eoi.cordis.lu/search_form.cfm</a>	Good for partner searching
Financial Guidelines	<a href="http://www.iserd.org.il/Documents/FinanGuide_draft_190104.pdf">www.iserd.org.il/Documents/FinanGuide_draft_190104.pdf</a>	
Finance Help-desk	<a href="http://www.finance-helpdesk.org">www.finance-helpdesk.org</a>	
Food quality and safety	<a href="http://www.cordis.lu/fp6/food/">www.cordis.lu/fp6/food/</a>	
FP6 home page	<a href="http://www.cordis.lu/fp6">www.cordis.lu/fp6</a>	General information about FP6
FP6 instruments	<a href="http://europa.eu.int/comm/research/fp6/networks-ip.html">europa.eu.int/comm/research/fp6/networks-ip.html</a>	New instrument overviews
Framework program	<a href="http://europa.eu.int/comm/research/why.htm">europa.eu.int/comm/research/why.htm</a>	
Gender	<a href="http://www.cordis.lu/rtd2002/science-society/women.htm">www.cordis.lu/rtd2002/science-society/women.htm</a>	
Idealist	<a href="http://www.ideal-ist.net">www.ideal-ist.net</a>	IST active partner search
I'm Europe	<a href="http://www2.echo.lu/">www2.echo.lu/</a>	Another useful portal
INCO	<a href="http://www.cordis.lu/fp6/inco.htm">www.cordis.lu/fp6/inco.htm</a>	
Insight projects	<a href="http://www.cordis.lu/nest/insight.htm">www.cordis.lu/nest/insight.htm</a>	Part of NEST
Instruments	<a href="http://www.cordis.lu/fp6/stepbystep/instruments.htm">www.cordis.lu/fp6/stepbystep/instruments.htm</a>	
INTAS	<a href="http://www.intas.be/mainfs.htm">www.intas.be/mainfs.htm</a>	
Integrated Project (IP)	<a href="http://www.cordis.lu/fp6/instr_ip.htm">www.cordis.lu/fp6/instr_ip.htm</a>	
IPR	<a href="http://www.cordis.lu/ipr-helpdesk/en/home.html">www.cordis.lu/ipr-helpdesk/en/home.html</a>	
IRC	<a href="http://irc.cordis.lu/">irc.cordis.lu/</a>	
ISERD	<a href="http://www.iserd.org.il/">www.iserd.org.il/</a>	
ISTAG	<a href="ftp://cordis.lu/pub/fp6/docs/eag_ist.pdf">ftp.cordis.lu/pub/fp6/docs/eag_ist.pdf</a> <a href="http://www.cordis.lu/ist/istag.htm">www.cordis.lu/ist/istag.htm</a>	IST Advisory Group
Joint Research Centre (JRC)	<a href="http://www.jrc.org">www.jrc.org</a>	
Joint Program of Activities (JPA)	<a href="http://www.cordis.lu/fp6/instr_noe.htm">www.cordis.lu/fp6/instr_noe.htm</a>	
Life sciences, Genomics and Biotechnology for Health	<a href="http://www.cordis.lu/lifescihealth/home.html">www.cordis.lu/lifescihealth/home.html</a>	
Legal & financial questions mailbox	<a href="mailto:RTD-A03-questions-juridiques@cec.eu.int">mailto:RTD-A03-questions-juridiques@cec.eu.int</a>	
Marie Curie Actions	<a href="http://europa.eu.int/comm/research/fp6/mariecurie-actions/home_en.html">europa.eu.int/comm/research/fp6/mariecurie-actions/home_en.html</a>	
Model contract	<a href="http://europa.eu.int/comm/research/fp6/working-groups/model-contract/index_en.html">europa.eu.int/comm/research/fp6/working-groups/model-contract/index_en.html</a>	



Nanotechnologies and nanosciences, multifunctional materials & new production processes & devices	<a href="http://www.cordis.lu/nmp/home.html">www.cordis.lu/nmp/home.html</a>	
National Contact Point (NCP)	<a href="http://www.cordis.lu/fp6/ncp.htm">www.cordis.lu/fp6/ncp.htm</a>	
Negotiation Guidelines	<a href="http://www.cordis.lu/fp6/find-doc.htm#negotiation">www.cordis.lu/fp6/find-doc.htm#negotiation</a>	
Network of Excellence	<a href="http://www.cordis.lu/fp6/instr_noe.htm">www.cordis.lu/fp6/instr_noe.htm</a>	
New instruments	<a href="http://www.cordis.lu/fp6/instruments.htm">www.cordis.lu/fp6/instruments.htm</a>	
Notification of Intention to submit	<a href="http://www.cordis.lu/fp6/notification">www.cordis.lu/fp6/notification</a>	
OECD	<a href="http://www.oecd.org">www.oecd.org</a>	
Official journal (OJ)	<a href="http://europa.eu.int/eur-lex/en/oj/">europa.eu.int/eur-lex/en/oj/</a>	
Partner Search (CORDIS)	<a href="http://www.cordis.lu/fp6/partners/">www.cordis.lu/fp6/partners/</a>	
Partner Search (Idealist)	<a href="http://www.ideal-ist.net">www.ideal-ist.net</a>	
Pathfinder projects	<a href="http://www.cordis.lu/nest/pathfinder.htm">www.cordis.lu/nest/pathfinder.htm</a>	Part of NEST
Policy Green Papers	<a href="http://europa.eu.int/comm/off/green/index_en.htm">europa.eu.int/comm/off/green/index_en.htm</a>	
Policy White Papers	<a href="http://europa.eu.int/comm/off/white/index_en.htm">europa.eu.int/comm/off/white/index_en.htm</a>	
Project Reporting in FP6	<a href="http://www.cordis.lu/fp6/find-doc.htm#reporting">www.cordis.lu/fp6/find-doc.htm#reporting</a>	
Rapidus CORDIS news service	<a href="http://www.cordis.lu/rapidus/">www.cordis.lu/rapidus/</a>	
Research Infrastructures	<a href="http://www.cordis.lu/fp6/infrastructures/">www.cordis.lu/fp6/infrastructures/</a>	
Safer Internet Action Plan	<a href="http://europa.eu.int/information_society/programmes/ia/p/index_en.htm">europa.eu.int/information_society/programmes/ia/p/index_en.htm</a>	
Scientific and Technological Options Assessment	<a href="http://www.europarl.eu.int/stoa/publi/default_en.htm">www.europarl.eu.int/stoa/publi/default_en.htm</a>	
Security Research Program	<a href="http://europa.eu.int/comm/research/security/index_en.html">europa.eu.int/comm/research/security/index_en.html</a>	New Preparatory Action
SME	<a href="http://www.cordis.lu/fp6/sme.htm">www.cordis.lu/fp6/sme.htm</a>	
Specific Program	<a href="http://fp6.cordis.lu/fp6/home.cfm">fp6.cordis.lu/fp6/home.cfm</a>	
Specific Support Action	<a href="http://www.cordis.lu/fp6/instrument-ssa/">www.cordis.lu/fp6/instrument-ssa/</a>	
Specific Targeted Innovation Project (STIP)	<a href="http://www.cordis.lu/fp6/innovation.htm">www.cordis.lu/fp6/innovation.htm</a>	
Specific Targeted Research Project (STREP)	<a href="http://www.cordis.lu/fp6/instrument-strp/">www.cordis.lu/fp6/instrument-strp/</a>	
Workprogram	<a href="http://www.cordis.lu/fp6/find-doc.htm#wps">www.cordis.lu/fp6/find-doc.htm#wps</a>	

