



## FP7

# Good and bad practices in preparing proposals, accounting, do-s and don't-s

University of Kragujevac, 30/10/2012





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# CONTENT

1. Financial issues
2. Pitfalls in proposal preparation, things that people often miss
3. How to effectively demonstrate the exploitation potential



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# Financial Issues - The Budget



## Budget Planning

How do you come to a realistic budget that covers all your planned costs ?

Assuming you are a partner in a proposal, which information do you need to provide to the coordinator ?

The coordinator has to prepare a simple table like this (through the EPSS):



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# Financial Issues - The Budget



## Proposal Submission Forms

A3.2:  
Budget

			Estimated budget (whole duration of the									
Participant Nr	Org Short Name	Org country	RTD	Demonstration	Training	Coordination	Support	Management	Other	Total	Total receipts	Requested EU contributions
1	A	UK	300,000	50,000	0	0	0	110,000	0	460,000	0	285,000
2	B	DE	250,000	0	0	0	0	50,000	0	300,000	0	237,500
3	C	FR	300,000	0	0	0	0	0	0	300,000	0	150,000
4	D	JO	150,000	0	0	0	0	0	0	150,000	0	112,500
5	E	ES	100,000	80,000	0	0	0	0	0	180,000	0	115,000
6	F	DK	130,000	100,000	0	0	0	0	0	230,000	0	147,500
7	G	IT	90,000	50,000	0	0	0	0	0	140,000	0	92,500
8	H	IT	110,000	0	0	0	0	0	0	110,000	0	82,500
<b>Total</b>			<b>1,430,000</b>	<b>280,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>160,000</b>	<b>0</b>	<b>1,870,000</b>	<b>0</b>	<b>1,222,500</b>



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# Financial Issues - The Budget

You have to identify the following figures for your role in the project:

1. Your **Labour rate** without any overheads. This together with the agreed effort for you gives the Personnel Cost for the different categories RTD, Demonstration, etc.
2. Any **other costs** from your side, e.g. equipment or materials
3. Your estimated **travel costs** for the entire project period.
4. The sum of items 2 and 3 give the Other Direct Cost.



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# Financial Issues - The Budget



## Each partner enters his own data:

Proposal Submission Form							
	EUROPEAN COMMISSION		Coordination and support action			<h1>A3.1: Budget</h1>	
	7th Framework Programme on Research, Technological Development and Demonstration		Support actions				
Proposal Number	<input type="text"/>	Proposal Acronym			Participant Number	<input type="text"/>	
Specific Flat Rate (60%) <input type="text"/>							
My legal entity is established in an ICPC and I shall use the lump sum funding method		<input type="text" value="no"/>					
	Type of Activity						
	RTD	Demonstration	Coordination	Support	Management	Other	Total
Personnel costs (in €)	0	0	0	0	0	0	0
Subcontracting (in €)	0	0	0	0	0	0	0
Other direct costs (in €)	0	0	0	0	0	0	0
Indirect costs (in €)	0	0	0	0	0	0	0
Lump sum, flat-rate or scale of unit (option only for ICPC) (in €)	0	0	0	0	0	0	0
Total budget (in €)	0	0	0	0	0	0	0
Requested EC contribution (in €)	0	0	0	0	0	0	0
Total Receipts (in €)							0

Further guidance (eg. On the meaning of personnel costs, subcontracting etc.) can be found in Annex 3 to the Guide for Applicants



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# Financial Issues - The Budget

This sounds relatively easy to do, but where are the **pitfalls** ?

## 1. The Overhead Rate:

- a) If your organisation is not yet registered with the EC, your admin department has to decide which overhead rate to apply for (60% flat, 20% flat, Real overheads,...)
- b) If your organisation is registered, you don't have to worry about this, the EPSS knows which rate to apply.



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# Financial Issues- The Budget

## 2. Estimating your **average labour rate**

- a) You must get a good estimation who will be working on the project for how much effort (professor, PhD students, secretaries, ...). Take into account possible salary increase over the next 4 years ! Do not over or under-estimate this!
- b) From you admin department you need the salary figures for these categories, including statutory cost but not overheads.
- c) With these figures you come to an average labour rate that you use for the calculation of the Personnel Costs



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# Financial Issues - The Budget

Note: The EC will not check if these figures are correct when you submit the proposal, nor during contract negotiation !

But when you do your first financial report after 12 or 18 months work in the project, you may have a problem:

You now declare **real cost**, not any more averages and if the real cost differ too much from your estimates, the total EC contribution may be less than expected or you may have to put effort into the project on your own cost.



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# Financial Issues - The Budget



Originally Overestimated

Originally Underestimated

	<u>Estimated average Labour Rate</u>	<u>Real labour rate</u>	Allocated effort in the project (Person-months)	Total Personal Cost	EC Contribution (75%)	Difference in EC Contribution
Proposal stage:	8,000		40	320,000	240,000	
Case 1: Financial Report		5,000	40	200,000	150,000	90,000
Case 2: Financial Report		10,000	40	400,000	300,000	-60,000

You cannot just do more (38%) or less (25%) work just to fit the original budget !



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# Financial Issues - Cash-flow Gap



## The cash-flow gap:

**How is the cash flow in the project over  
it's entire duration, until the final payment  
has been made ?**



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# Financial Issues - Cash-flow Gap

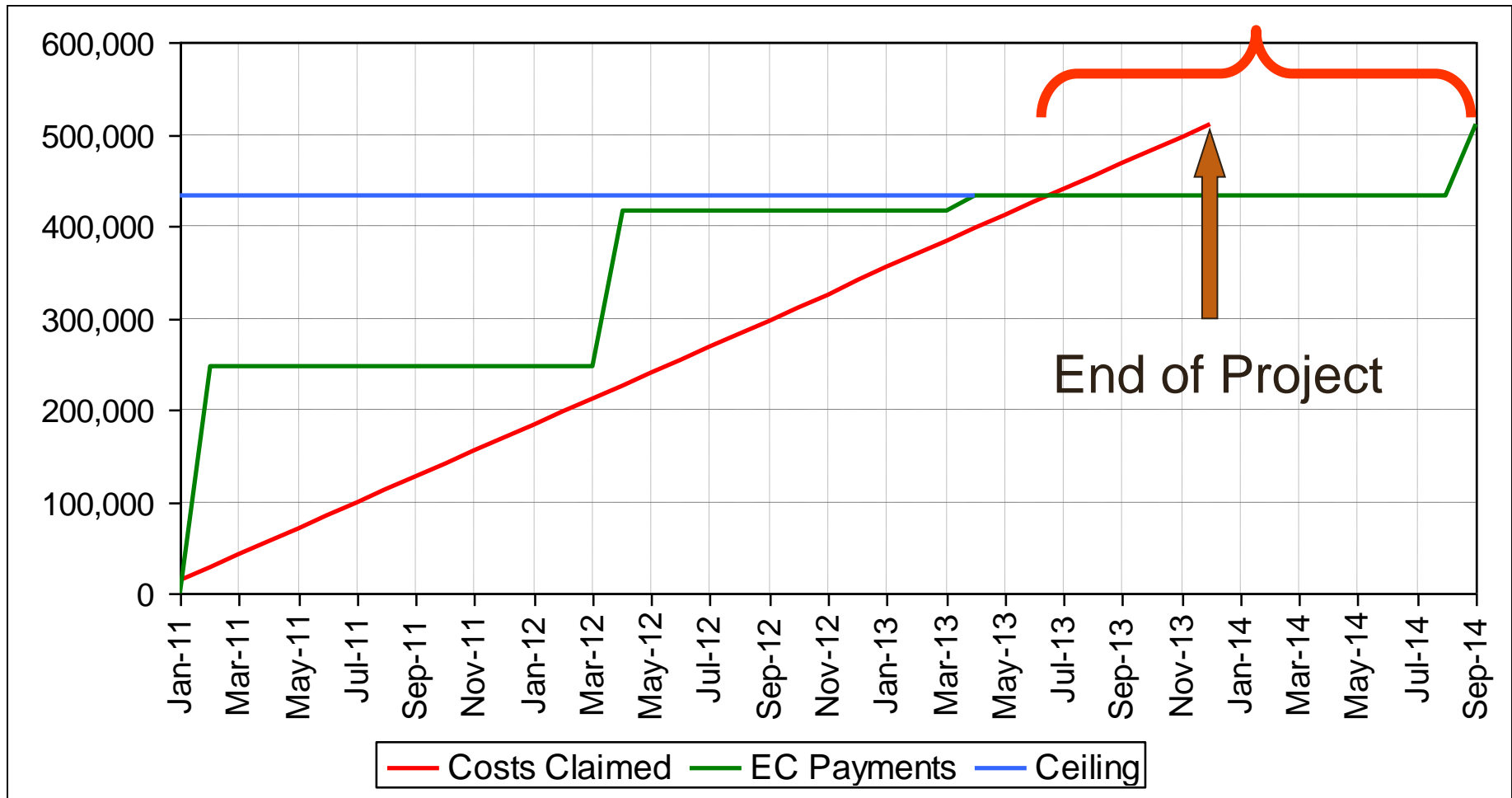
Maximum EC Contribution:	<b>510,480</b>
10% Retention ceiling	459,432
5% Guarantee Fund Contribution	25,524
Project Reporting Periods	3
Average per period	170,160
Project Start:	01/01/2011
Project End:	31/12/2013

	Cost claims	Payment by EC		Accummulated
		Amount	Date	
Pre-financing (160% of average/period) - 5%		246,732	15/02/11	
Accepted cost 1st period (31/12/2011)	170,000			
1. Interim Payment		170,000	01/04/12	416,732
Accepted cost 2nd period (31/12/2012)	170,000			
2. Interim Payment (up to 10% ceiling and 5% GF)		17,176	01/04/13	433,908
Accepted cost 3rd period (31/12/2013)	170,480			
Final Payment after closing of project incl GF recovery		76,572	01/09/14	<b>510,480</b>
	<b>510,480</b>			



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# Financial Issues - Cash-flow Gap



For well over 15 months negative cash flow (15% = 76 kEuro)



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# Financial Issues - Guarantee Fund



- Aims to cover financial risks incurred by EC and participants during project
- 5% of the total EC contribution retained by the EC and transferred to separate EC fund at time of pre-financing payment
- Paid into EC bank account and interest earned should cover risks of non reimbursement of amounts due by project members
- Returned to project members via Coordinator at point of final payment
- Maximum deduction of 1% of EC contribution may be permanently retained *excluding public bodies*



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# Financial Issues - Cash-flow Gap



## What to do about this gap?

If you have several FP7 projects running, you can "borrow" internally from their budget.

If not, you can do the following:

- You finish your work (and all expenditures) before the end of the project (by the time your cash runs out).
- You "give back" the outstanding 15% of your budget. Other partners can make use of it.
- If you have really trustworthy partners, you can even plan for a higher budget to start with and your partners can plan to overspend their budget.



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# Financial Issues - Reporting



## Financial Reporting is in principle easy!

Once a project is running establish internal administration procedures with your administration:

- Collect the timesheet information on a monthly basis (who worked for how many hours). With these you can calculate the salary cost spent for each person working on the project.
- Collect all invoices for travel, material, equipment (for which you must calculate the depreciation)
- Follow up all expenditures, using the cost categories of FP7, again on a monthly basis



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# Financial Issues - Depreciation

The national tax laws of a partner determine if equipment has to be depreciated and over which time. For example:

- A FP7 contract for a 36-months project is signed in March 2008.
- Equipment is purchased in May 2008 for €100,000, with a depreciation period of 36 months.
- The equipment would be used 34 months, and therefore, 34/36 financially depreciated, i.e. €94,444.44 can be claimed as cost.
- If the equipment is only used partially in the project (e.g. 50%), only that share can be claimed as cost.
- **Equipment bought before the start of the contract can not be charged to the project !**



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# Pitfalls

## The most common ones:

### 1. Out of scope of call: missing the objectives or instruments:

- Read carefully the objectives or target outcomes in the Workprogramme. Not once or twice, better three times. Pay attention to each single sentence or phrase !
- Make sure that you understand which instrument (STREP, IP, CSA, ...) is foreseen for your selected target outcome.



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# How to read the Workprogramme



## Objective ICT-2011.4.4 Intelligent Information Management

### Target outcomes

a) **Reactive algorithms, infrastructures and methodologies** (parallelisation, approximation, online processing, compression) for scaling data intensive techniques (including but not limited to machine learning, inference, statistical analysis) up to extremely large data volumes and real time performance. Implementations must be rigorously tested on extremely large and realistically complex data sets coming from diverse resources contributed by organisations with a clear stake in the solution and a clear path to deploying it if effective.



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# How to read the Workprogramme

## Objective ICT-2011.4.4 Intelligent Information Management

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## The most common ones:

### 2. Inconsistencies

- Last minute changes in the workplan are not updated in the methodology section or - even worse - in Part A
- Figures in the WP tables do not add up.
- Convincingly described objectives do not appear in the Workplan (or are well hidden).

### 3. Not paying attention to the guidelines

- Missing tables or page limits ignored
- No quantitative measures of success, both for the objectives and the expected impact
- No risk analysis or contingency plan



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# Avoiding Pitfalls

## Think of the finishing touches which signal quality work:

### In presentation

- clear language
- well-organised contents
- no typos, no inconsistencies, no obvious paste-ins, no numbers which don't add up, no missing pages .....

### In content

- ethical issues
- gender issues



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# Avoiding Pitfalls

Make sure your Project Workplan reflects the promises you make in the rest of Part B !

For example:

- Strong impact implies an important dissemination effort.
- S&T excellence implies an adequate and well-organised research effort.
- Good consortium management implies clear Workpackage leadership.



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# Avoiding Pitfalls

Use all the help you can get (and don't wait till it's too late) !

- Commission contact person for each objective open in a call: do contact them.
- Use the pre-proposal checks offered by the EC.
- Let your colleagues who are not directly involved in the proposal 'pre-evaluate' it.



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# Exploitation

- The EC puts quite some emphasis on the exploitation of project results (formally called the "foreground").
- Exploitation is seen as an activity for the entire project, but taking into account the different partner roles.
- Universities are not expected to develop a product and put it on the market, but the private sector partners are.
- How to deal with the IPR is an issue that must be agreed on in the consortium agreement before the start of the project. This agreement should also clarify royalties, licences or access rights.



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# Exploitation

- You are not supposed to have a product ready by the end of the project, the EC is not allowed to fund product development.
- However, the project (i.e. the industry partners) should have a clear path of commercialisation of the results
- The project needs to demonstrate that convincingly (e.g. through some market figures, market trends, etc.) already in the proposal (Initial Dissemination and Exploitation Plan).



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# Exploitation

In the Final Report of the project you need to establish the final plan for use and dissemination of foreground:

- List of all scientific (peer reviewed) publications relating to the foreground of the project.
- List of applications for patents, trademarks, registered designs, etc.
- For each exploitable result:
  - Its purpose
  - How it might be exploited, when and by whom
  - IPR exploitable measures taken or intended
  - Further research necessary, if any
  - Potential/expected impact (quantify where possible)



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# Exploitation - Recommendations

If your project has a clear application focus leading to exploitable results:

1. Consider to get one or two partners from this application domain into the consortium, e.g. potential future users (small role is enough).
2. Get these partners to do some market analysis during the project, it will help you getting the right focus of your R&D work and also satisfy the EC.



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## Contact Data:

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# THANK YOU