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Management of FP7 projects (7th Framework Programme for Research, Technological Development and Demonstration) requires participants to handle administrative, legal and financial matters. While the scientific excellence of proposals and project results are the most important aspects of FP7 projects, effective and correct management that follows all the rules and principles is essential to satisfy the programme's formal requirements. This publication looks into these "non-scientific aspects" of FP7 projects in detail. It contains a step-by-step description of the process, starting with proposal preparation. The book then examines each stage of a project's life-cycle, combining theory from official documents and real-world practice.

Information in this publication is primarily based on information drawn from legally binding and guidance documents of the European Commission applicable to FP7 and complemented by results of an exhaustive survey among Czech participants conducted by the Technology Centre ASCR in the summer of 2010. The last source of information was the authors' long-time experience in FP7 consulting services in a National Contact Point (NCP) organisation.

**I am sure the book will be a very valuable and helpful tool for the scientific community.**  
Sabine Herlitschka, FFG – Austrian Research Promotion Agency

**All the main aspects from the application to the reporting phases are covered in some detail, and the book further touches on issues of the post project phase, namely the ex-post audits... The book offers a number of good advices and best practice examples for the different stages.**

Jakob Just Madsen, Danish EU Research Liaison Office

**The advantage of this text composition is the possibility to reflect on general rules in concrete situations... I see the main contribution of the publication in the clear presentation of experiences of Czech FP7 participants... According to my opinion, a publication of such extent and specialisation is still missing in the Czech Republic.**

David Uhlíř, South Moravian Innovation Centre

THE ADMINISTRATIVE, LEGAL AND FINANCIAL MANAGEMENT

7<sup>TH</sup> FRAMEWORK PROGRAMME

# THE ADMINISTRATIVE, LEGAL AND FINANCIAL MANAGEMENT OF PROJECTS IN THE 7<sup>TH</sup> FRAMEWORK PROGRAMME

AN OVERVIEW  
OF THE RULES  
AND PRINCIPLES  
&  
CZECH EXPERIENCE

ISBN 978-80-7419-055-1



Lenka Chvojková, Jana Vaňová, Lucie Vavříková  
Technology Centre ASCR

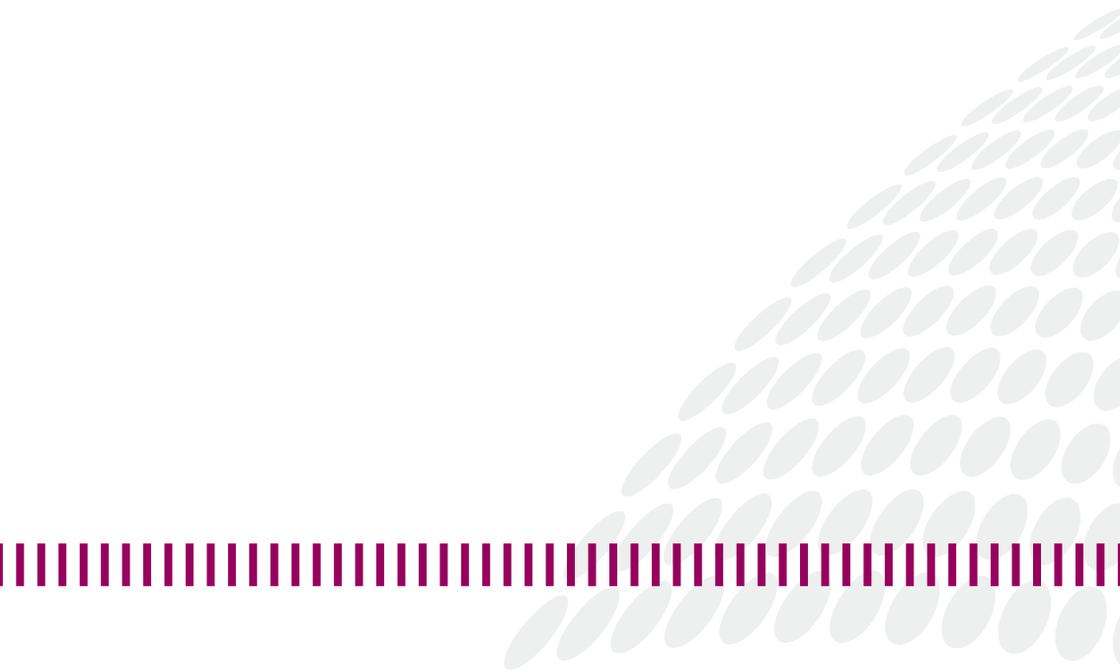


Technology Centre ASCR

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Sociologické nakladatelství (SLON)







# **THE ADMINISTRATIVE, LEGAL AND FINANCIAL MANAGEMENT OF PROJECTS IN THE 7<sup>TH</sup> FRAMEWORK PROGRAMME**

|||||

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CZECH EXPERIENCE**

Lenka Chvojková, Jana Vaňová, Lucie Vavříková  
Technology Centre ASCR

**Key words:** 7th Framework programme for RTD (FP7); Czech experience with FP7; management of FP7; lifecycle of FP7 projects; FP7 financial rules; FP7 IP rules

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## Foreword



The EU is currently preparing already the eighth Framework Programme for research, development and innovation. The preparatory activities are aimed at the future but stem from more than a quarter-century of tradition of common European cooperation in research, which is significantly supported by public funds. Thus the cooperation must be regulated by rules conducive to unambiguous interpretation and understanding by research teams, which come from different national environments. Researchers want simple rules, European tax-payers want regulation ensuring that the research activities will yield value for money they invest and research administrators and auditors insist on accountability for these activities, which are so risky that even venture capitalists do not want to finance them, etc. The European Commission bears the responsibility for the creation of a system of participation rules. Satisfying the multitude of different requirements increases the complexity of the rules. On the other hand, the complexity is reduced by concomitant processes aimed at the simplification of the rules.

This book deals with the rules pertaining to project proposal preparation and evaluation, negotiation of successful proposals with the EC, implementation of proposals, etc. Research projects are aimed at “producing new knowledge”, and thus attention is paid to intellectual property maintenance in the project cycle. Financial issues are explained in a way, so that participants get all necessary information regarding project support from the European Commission and also regarding the support available to participating institutions from Czech authorities. While explaining the basic concepts, the authors refer to experiences of Czech teams, which they learned from a questionnaire distributed among FP participants.

It is worth knowing that due to the great changes in Europe in the late 1980s, the community of Czech scientists and researchers has started to establish structures aimed at closing the gap between the Czech R&D system and similar systems within the European communities. The Czech Science Foundation (CSF) was established as early as 1992, and as such it is the oldest grant agency operating in the EU12 (i.e. the 12 EU Member States that joined the EU in 2004 or later). The EU12 were invited to participate in the 5th Framework Programme EU (FP5, 1998–2002), and Czech R&D teams thus had the advantage of having the opportunity to make use of their six years of experience acquired in their national R&D grant system. However, unlike CSF grants, FP projects are mainly focused on target-oriented research. The European Commission encouraged the establishment of a small group of National Contact Points (NCP) and trained them in interpreting the rules and

other skills necessary for an effective participation of Czech teams in FP projects. The Ministry of Education, Youth and Sports, which is in charge of the R&D sector, recognizes the growing significance of the NCPs and supports their parent organization, i.e. the Technology Centre of the Academy of Sciences of the Czech Republic, by a rich series of grants known as the National Information Centre for European Research (NICER). NICER workers now cover a substantial part of the broad range of expert activities aimed at the effective involvement of the Czech Republic in the building of the European Research Area.

The authors of this book come from an experienced team of the Czech NCPs for the FP7. The Czech NCPs are confident that the Czech Republic has the potential to increase its participation in the Framework Programme. And I am confident that this book will contribute to the creation of an environment in which administrative, legal and financial issues of FP projects will no longer be considered impediments in the course of the effort to build the European Research Area. I also believe that the book will help to unlock the creative potential of the Czech community of researchers and innovators.

Vladimír Albrecht  
National coordinator of the Czech NCPs for the FP7

# 1



## Introduction



# 1. Introduction



Lenka Chvojková, Lucie Vavříková

This publication is concerned with the administrative, financial and legal management of projects funded from the 7th Framework Programme for Research, Technological Development and Demonstration Activities (FP7). It describes and summarises the entire life cycle of an FP7 project starting with the preparation of a proposal through to the completion of the project. The aim of this publication is to complement ‘theory’ with the experiences accumulated by Czech participants in the FP7.

FP7 is one of the framework programmes (FP) that are the main instruments of the European Union’s (EU) research policy and already have a long history. The first FP was established as early as 1984. FP7 is being implemented during the period of 2007–2013, and it has a budget exceeding EUR 50 billion. Research efforts performed under the FP today represent a significant contribution to research, technology and development (RTD) undertaken by various organisations in the higher education, public research and industrial sectors. Since the 1980s, FP projects have become a natural and important part of the RTD activities of many organisations, meaning that they have had to deal with the associated managerial processes.

Management of FP projects requires participants to handle administrative, legal and financial matters. While the scientific excellence of proposals and project results are the most important aspects of FP projects, **effective and correct management that follows all the rules and principles is essential** to satisfy the programme’s formal requirements. This publication aims to look into these ‘non-scientific aspects’ of FP7 projects in detail.

**To illustrate how these management rules and principles are applied in practice, this publication will explore the experiences of Czech beneficiaries.** Czech organisations first participated in the 3rd Framework Programme (FP3) as teams from third countries, later as Associated Countries, and finally as representatives of an EU Member State since 2004. Although Czech teams are not the biggest players in FPs, they have already gained some experience and understanding of FP7 rules and principles and have learnt how to deal and cooperate with project partners and the European Commission and its executive agencies (hereafter ‘EC’).

Individual chapters of this publication deal with:

1. **FP7 in the context of the historical development and the Czech Republic’s involvement.** To fully understand the current FP7 situation and its aims, it is important to look into the past and understand how European Research Policy and FP began and evolved and how and when Czech research teams joined these programmes.

2. **The life cycle of an FP7 project and its management.** This chapter focuses primarily on administrative management during project preparation, submission, evaluation, negotiation and implementation. Attention is paid to the internal management of relations within the consortium and with the EC. The general principles of FP7 and Czech experiences with them are described in this publication.
3. **Intellectual property (IP) rights issues in FP7.** An awareness of IP rules is essential for project management during project proposal preparation, implementation and conclusion. Accordingly, this chapter describes how to protect existing and newly created knowledge and information in FP7 projects. This is accompanied by practical experience and discussions on the most problematic IP rules for Czech participants.
4. **Financial management of FP7 projects.** Knowledge of FP7 financial rules and principles is a necessary prerequisite for proper budget preparation, correct cost spending and cost reporting, and justification to the EC and financial auditor. This chapter describes the general FP7 rules and the experience of Czech beneficiaries with them. Attention is also paid to special issues; i.e. national instruments providing financial incentives for FP7 Czech participation.

Information in this publication is primarily based on information drawn from legally binding and guidance documents of the EC applicable to FPs, the experiences of Czech legal and financial national contact points for FP7 (NCPs), and **the results of a survey of Czech participants** conducted by the TC ASCR in summer 2010 [TC Survey, 2010]. As shown in the annexes containing details of the survey, the survey results correlate strongly with actual participation. Thus, it is possible to use **generalised survey results as a summary of Czech participants' experience** as applied in this publication. In addition, Czech legislation and experiences of Czech auditors are also considered. The statistical data on participation in FP are mainly drawn from the E-Corda database of the European Commission [E-Corda, 2010] and its predecessors.

This publication is **designed primarily for RTD policy makers and RTD project administrators and advisers**, both in the CZ (Czech Republic) and abroad. Moreover, active FP7 project participants from the research and managerial community as well as potential participants could benefit from this publication, as it takes **a holistic approach to the process of project management**. Its purpose is to show that these aspects of project preparation and administration (often called horizontal aspects) should not be underestimated and to explain the basic rules and their practical application using the experience of Czech participants. Information provided here indicates good practices, as well as poorer practices, and therefore could also be a guide to simplifying the implementation of future FPs.

# 2



**FP7 in the context of historical  
development and the Czech  
Republic's involvement**



## 2. FP7 in the context of historical development and the Czech Republic's involvement



Lenka Chvojková, Lucie Vavříková

### 2.1 INTRODUCTION

Framework programmes (FPs) are the main instrument of European research policy. The seventh of these FPs, which is currently running, is naturally called the 7th Framework Programme for Research, Development and Demonstration (FP7). To fully understand the current situation in FP7 and the involvement of Czech research teams, it is important to look at past European research policy and FPs, understand how they began and have evolved, and how and when Czech research teams joined these programmes.

This chapter describes the development of this policy and Czech participation in four historical periods: first the roots of European research policy in the 1950s and the establishment of FP1 in the early 1980s; second development at the end of the 1980s and during the 1990s, when four more FPs were implemented; third the last decade, when FP6 was created; and finally the present FP7 period.

### 2.2 THE ROOTS OF EUROPEAN RESEARCH POLICY AND FP1

The roots of European research policy are connected with the process of European integration and date back to the 1950s, when the **Treaty of the European Coal and Steel Community** [ECSC, 1951] and the **Treaty of the European Atomic Energy Community (EURATOM Treaty)** [EURATOM, 1957] were signed. During that period, research activities were aimed at certain sectors and energy sources, namely coal, steel and nuclear energy.

In the 1960s and 1970s, a number of research programmes and activities were established. However, they were still developed more on an ad-hoc, natural basis and were linked to areas such as agriculture, coal, energy/nuclear energy and steel. **Rationalisation and integration of these activities was thus needed and that began with, inter alia, the introduction of framework programmes.** A significant step on the road to a more systematic policy-oriented approach was made with the launch of the Community Research and Development Programme in the field of Information Technologies (ESPRIT). The aim of the programme was to enhance European competitiveness in the IT industry.

FP1 was established in the 1980s (1984–1987). It represented a considerable step forward in the rationalisation of existing programmes and put in place a medium-term programme identifying scientific and technological priorities at a European level, with an accompanying budget, for several years, to ensure future financial security. To accomplish the general aims of the FP, the EC established criteria known as ‘Riesenhuber criteria’<sup>1</sup> for deciding which activities had European added value and were therefore justified at a European level (rather than simply a national one).

## 2.3 DEVELOPMENT FROM FP2 TO FP4

The development of European research policy gained significant importance at the end of the 1980s and in the 1990s, when four more FPs were implemented. In this period, **Czech research** teams took part in the FPs for the **first time**.

One of the most important milestones in the history of this period was 1987, when the **Single European Act** entered into force and reformed the three treaties of the European Communities. The Single European Act officially introduced a series of new policies, the research policy included (policy on science and technology). This was the first time the research policy was identified as one of the policies that fell within the scope of the Community's power [Guzzetti, 1995]. **Thereafter multi-annual framework programmes became the main instrument of Community research policy.**

Thanks to the Single European Act, European research policy gained importance and took shape by identifying its objectives and activities. **FP2 (1987–1991)** was aimed at potential synergies and interaction between research and development actions in sectors considered to be of primary importance at a Community level. FP2 was structured into eight major categories:

- Quality of life;
- Information and communication society;
- Modernisation of the industrial sector and advanced materials;
- Biological resources;
- Energy;
- Science and technology at the service of development;
- Marine resources, and
- Improvement of European S&T cooperation.

1 The Riesenhuber criteria – Community involvement is justified with:

- research conducted on so vast a scale that single Member States either could not provide the necessary financial means and personnel, or could only do so with difficulty;
- research which would obviously benefit financially from being carried out jointly, after taking account of the additional costs inherent in all actions involving international cooperation;
- research which, owing to the complementary nature of work carried out at national level in a given sector, would achieve significant results in the whole of the Community for problems to which solutions call for research conducted on a vast scale, particularly in a geographic sense;
- research which contributes to the cohesion of the common market, and which promotes the unification of European science, and technology; as well as research which leads where necessary to the establishment of uniform laws and standards’ [Andrée, 2009].

In this period, the budget for research funding was shifted more towards industrial research in general, displacing the previous policy's focus on energy sector research.

While **FP3 (1990–1994)** overlapped with FP2 for two years to ensure suitable financial planning and continuity of research activities, the FP's budget did not increase significantly compared to the previous framework programme. Generally, FP3 was divided into 15 specific programmes under 6 actions:

- Information and communications technologies;
- Industrial and materials technologies;
- Environment;
- Life sciences and technologies;
- Energy;
- Human capital and mobility.

BOX 2.1.:

#### **FIRST PARTICIPATIONS OF CZECH TEAMS IN THE FPs**

**FP3 is the first framework programme in which several Czech<sup>2</sup> teams took part** [Albrecht, Vaněček, 2008]. Their participation was made possible **thanks to the special calls** opened under the FP3. The first, opened in 1992, was called **'PECO- COPERNICUS 92/93'**.<sup>3</sup> Its aim was to enhance cooperation with PECO<sup>4</sup> countries and was concerned also with the participation of these countries in RTD activities as joint research projects, scientific networks, fellowships and COST.<sup>5</sup> Budget allocation for this call was 55 mil. ECU;<sup>6</sup> however, due to enormous interest it was later increased to 93 mil. ECU. The Czech Republic (Czechoslovakia) participated in 38 funded proposals with a budget of 2.6 mil. ECU. Later, a second call with a budget of 17.7 mil. ECU called 'Participation-PECO 1993' was installed. It promoted participation of PECO countries exclusively in FP3 projects in the predefined research fields (biomedicine and health, environment, non-nuclear energy, safety of nuclear fission, human capital and mobility). There were 55 participants from the CZ and most of the projects (23) were in the biomedical field. Lastly, the third call in FP3 was 'COPERNICUS 1994' with funding of 27 mil. ECU. The research fields covered were chosen to complement the five specific fields opened in the preceding call. CZ participants applied with 981 proposals and gained funding for approximately 90 of them [COM(94) 420 final, 1994].

Activities under the Community's science and technology policy were significantly broadened in 1993 when the **Treaty on the European Union**, known as the Maastricht Treaty [Maastricht Treaty, 1993], entered into force. During the 1990s, it was realised that Europe's research and industrial base suffered from a number of weaknesses. The Community's competitive position in relation to the United States and Japan had become worse, and the Community invested proportionally less

2 Until 1993 the Czech and Slovak Republics formed one country, Czechoslovakia. Czech participation to that time thus also means Slovak participation.

3 Community Pan-European research networks of Eastern European Countries

4 From French Pays d'Europe Centrale et Orientale – countries of Central and Eastern Europe, i.e. Estonia, Latvia, Lithuania, Poland, Czech Republic, Slovakia, Hungary, Slovenia, Romania, Bulgaria.

5 European Cooperation in the field of Scientific and Technical Research.

6 ECU, the European Currency Unit, was a basket of the currencies of the European Community Member States, used as the unit of account of the European Community before being replaced by the Euro on 1 January 1999 at parity.

than these competitors in RTD [White Paper on Growth, Competitiveness and Development, 1993]. Moreover, a lack of coordination between the national research policies in Europe was identified.

Statements of the Treaty on the European Union and the aforementioned White Paper on Growth, Competitiveness, and Employment formed the basis for **FP4 (1994–1998)**. The budget of the new FP was significantly increased from FP3 (more than doubling), and an additional Riesenhuber criterion was included in FP4, further improving coordination [Guzzetti, 1995]. FP4 was divided into four activities. The first of which, called Research, Technological Development and Demonstration Programmes, represented more than 85% of the budget and consisted of 15 priorities. The rest of the activities were of a horizontal nature; cooperation with third countries and international organisations, dissemination and optimisation of results, and training and mobility of researchers.

BOX 2.2.:

#### **CZECH PARTICIPATION IN FP4**

**While the Czech teams gained more extensive experience with participation in FPs in the FP4 (in 243 projects)**, participation for Czech teams in FP4 was possible only in those FP programmes oriented towards international cooperation, i.e. **cooperation of the Community with third countries** [Albrecht, Vaněček, 2008]. Third countries are those non-Member States that do not have an agreement on association with the FP and, hence, do not contribute to the FP's budget. Therefore FP participation expenses have to be covered from their own budget. Two programmes in which third countries were supported were set up: International Cooperation (INCO) and International Cooperation – Copernicus (INCO – COPERNICUS) covering scientific and technological cooperation with countries of Central and Eastern Europe. INCO – Copernicus had 3 subdivisions: Safeguarding the RTD potential; Environmental protection; and Health. Approximately 5% of the total FP4 budget (575 mil. ECU) was allocated to this programme of international cooperation.

**FP5 (1998–2002)** was innovative in its setting compared to its predecessors. Whilst previous FP structures were mainly thematically oriented (towards scientific and technological disciplines), FP5 changed the approach to become target-oriented. Its structure reflected political priorities more, complemented with 'problem-solving key actions' aiming at major socio-economic issues such as health and environment, the ageing population, and clean and renewable energies. FP5 comprised four thematic programmes, each addressing a series of scientific, technological and societal issues:

- Quality of life and management of living resources;
- User-friendly information society;
- Competitive and sustainable growth;
- Energy, environment and sustainable development
- and three horizontal programmes corresponding to FP4 activities:
- International role of Community research;
- Promotion of innovation and encouragement of participation of SMEs;
- Improving human research potential and the socio-economic knowledge base.

FP5 was also instrumental in making the programme accessible to more countries. Under the same conditions as the 15 EU Member States, participants from 16 **Associated Countries** were also able to take part in FP5. They were represented by 11 candidate countries that were applying to join the EU (including the Czech Republic<sup>7</sup>), together with Iceland, Norway, Liechtenstein, Switzerland and Israel; these countries were associated with the programme and contributed to its budget.

BOX 2.3.:

**CZECH PARTICIPATION IN FP5**

**With regard to the Czech Republic, 890 Czech teams participated in 701 FP5 projects**

[Technology Centre ASCR, 2005]. Thus, CZ participated in 4.2% of all FP5 projects. Figure 2.1 shows participation in thematic and horizontal priorities and also provides data for research under EURATOM programme. Czech participations in FP5 amounted to almost EUR 65 million. The most frequent participants were Charles University in Prague, the Nuclear Research Institute Řež, and the Czech Technical University in Prague.

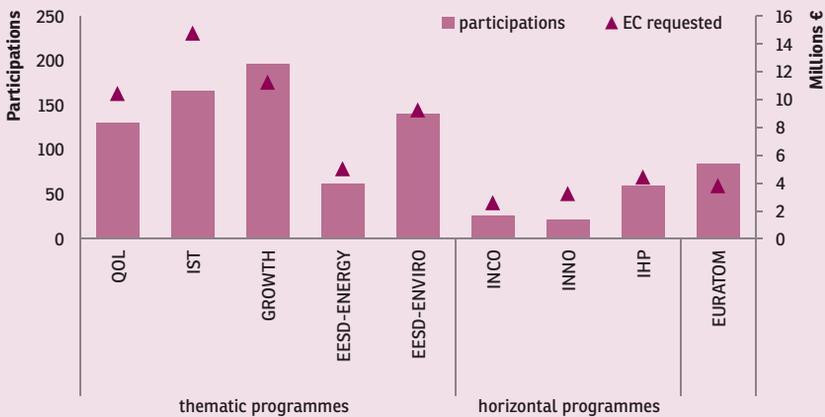


Figure 2.1 – Participation of CZ in FP5 in the priorities including EURATOM. QOL- quality of life and management of living resources; IST – user-friendly information society; GROWTH – competitive and sustainable growth; EESD-ENERGY and EESD-ENVIRO energy, environment and sustainable development; INCO – international role of Community research; INNO – promotion of innovation and encouragement of participation of SMEs; IHP – improving human research potential and the socio-economic knowledge base; EURATOM – European Atomic Energy Community research programme. Source: FP5 Contracts, 2004.

As already mentioned, in FP4 there was no general contribution from the Czech government to the programme budget, whereas in FP5 the contribution was generally set as a ratio of the GDP of the country to the overall GDP of the EU-15 countries. The overall contribution of the Czech Republic reached approximately EUR 65 mil.

7 The following countries were candidates for membership of the EU and associated with FP5: 10 countries of Central and Eastern Europe (Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia) and Cyprus; and since 1 March 2001 also Malta.

## 2.4 THE EUROPEAN RESEARCH AREA AND FP6

During the last decade, the European research policy has been closely connected with the so-called Lisbon Strategy and the creation of the European Research Area (ERA).<sup>8</sup> The ERA was created to ensure better organisation of research in Europe (i.e. effective coordination of national and European research activities, programmes and policies) and create a European 'single market' for research, avoiding the fragmentation of research and insufficient investment. As stated in the EC Communication *Towards a European Research Area*, 'The ERA should be an area where the scientific capacity and material resources in Member States can be put to best use, where national and European policies can be implemented more coherently, and where people and knowledge can circulate more freely' [COM (2000) 6].

FP6 (2002–2006) was designed to support the formation of the ERA. Accordingly, FP6 activities were undertaken under the following three headings:

- structuring the ERA;
- strengthening the foundations of the ERA;
- integrating European research.

In addition, FP6 is characterised by the start of new instruments with greater integration. Existing collaborative projects were enriched by introducing instruments such as integrated projects, networks of excellence, the ERANET scheme, and the use of Article 169.<sup>9</sup> In 2004, 10 new countries (including the CZ) joined the EU bringing the number of Member States to 25. Under the same conditions as these Member States in FP6, four Associated Candidate Countries, Bulgaria, Romania, Turkey and Croatia, and also the Associated Countries of Iceland, Israel, Liechtenstein, Norway and Switzerland could have also participated.

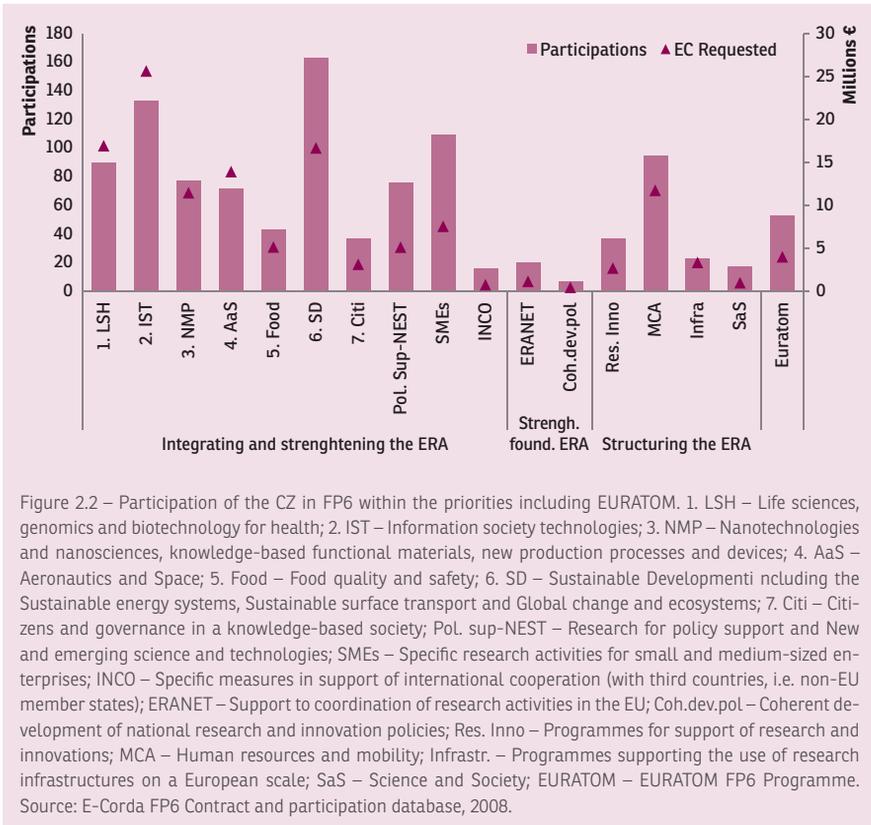
BOX 2.4.:

### CZECH PARTICIPATION IN FP6

Since its accession to the EU, the CZ does not contribute separately to the programme budget (as it did as an associate country under FP5), but it does contribute to the aggregate EU budget as one of the Member States of the EU. **In total, Czech teams were involved in the preparation of 4766 proposals, of which 876 were retained for EC funding with 1068 Czech teams.** Accordingly, the total project success rate amounted to 18.4% and the participation success rate of Czech teams reached 17.2% [Albrecht, Vaněček, 2008]. Figure 2.2 shows the participation the Czech teams and the amount of contracted funding that was received from the EC. In total, Czech participants contracted almost 131 million EUR of EC contribution, the highest shares were contracted within the priorities of Life sciences, genomics and biotechnology for health, Information society technologies and Sustainable development, global change and ecosystems. The last-mentioned was also the priority with the highest number of participations.

8 The Lisbon Strategy was launched in March 2000 by EU heads of state and governments and its general aim was to make Europe by the year 2010 'the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion' [2008/C 115/01].

9 After the Treaty of Lisbon entered into force on 1 December 2009, Article 169 became Article 185.



## 2.5 FP7

The progress of the Lisbon Strategy was critically assessed in 2005 during its mid-term evaluation and considered as insufficient. A renewed Lisbon Strategy was formulated, in which ERA and higher investments in knowledge and innovation became one of the main pillars. In 2007, a new impetus for the creation of the ERA was established, and the FP7 was launched.

### 2.5.1 Characteristics of FP7

FP7 (2007–2013) brings all research-related EU initiatives together under a common roof and plays a crucial role in reaching the goals of the Lisbon Strategy, and forming the key pillar of the ERA. For the first time, the FP is planned for a 7-year period and aligned with the EU Financial Perspective. The budget of FP7 was significantly increased from FP6 with the total amount, over 54 billion EUR, representing the world's largest research programme and the largest budget administered directly by the EC [Andrée, 2009]. To form stronger links with the ERA and other EU policy areas, the trend of developing 'integrating' instruments (and thus overcoming fragmentation) was strengthened in FP7, and new instruments and initiatives, such as ERANET Plus and Joint Technology Initiatives (Public Private

Partnership), were introduced.<sup>10</sup> New aspects were brought to FP7 by introducing an independent European Research Council (ERC), supporting for the first time in FPs frontier research projects carried out by individual teams and proposed by researchers on subjects of their choice, constituting a new bottom-up approach.<sup>11</sup> Issues from previous FPs, such as subsidiarity, European added value, and other pre-set topics, are now covered by the ERC in a more flexible way [André, 2007]. Compared with FP6, the new programme aims to simplify participation, in particular the financial and administrative rules, and make documents and IT tools more user-friendly.

The broader objectives of FP7 have been grouped into **four categories (Specific Programmes)**:

- Cooperation (transnational cooperation on 10 policy-defined thematic priorities);
- Ideas (a new programme implemented by the ERC);
- People (support for human potential in research, mainly individual researchers' mobility, known also as Marie Curie Actions);
- Capacities (support for research capacities, such as research infrastructures, or support for SMEs and more).

The detailed structure of these four categories is depicted in Table 2.3. The core of FP7, representing two-thirds of the overall budget, is the Cooperation programme.

<b>COOPERATION</b>	Health	<b>IDEAS</b>	European Research Council
	Food, Agriculture and Fisheries, and Biotechnology		Initial training
	Information and communication technologies		Life-long training
	Nanosciences, nanotechnologies, materials and new production technologies		Industry-academia
	Energy	<b>PEOPLE</b>	International dimension
	Environment (including climate change)		Specific actions
	Transport (including aeronautics)		Research infrastructures
	Socio-economic sciences and the humanities		Research for the benefit of SMEs
	Security		Regions of Knowledge
	Space	<b>CAPACITIES</b>	Research potential
	Science in society		
			Coherent development of research policies
			International cooperation
		<b>Non-nuclear actions by the Joint Research Centre</b>	

Table 2.3 – Overview of FP7 structure. Source: CORDIS, [http://cordis.europa.eu/fp7/info-programmes\\_en.html](http://cordis.europa.eu/fp7/info-programmes_en.html).

**FP7 opened up to participants from all over the world.** Since the enlargement of the EU in 2007 (i.e. Romania and Bulgaria) 27 Member States have already taken advantage of full access to funding from FP7. Under the same funding conditions, another 13 associated countries also participated in FP7 (contributing to the FP7

10 This is a significant trend that already started in FP6 and with the establishment of the ERA. Before that, in FP1–FP5, there was in principle little interaction between the FP and national programmes (i.e. national research councils and government agencies); formerly the FP was only something additional to the national programmes [André, 2009].

11 In the previous FPs, bottom-up research activities were possible within the priority New and Emerging Science and Technology, but the ERC is the first time that a programme has been dedicated to such activities.

budget)<sup>12</sup> as well as participants from third countries, called International Cooperation Partner Countries (ICPC),<sup>13</sup> who could also participate. Those third countries that are classified as industrialised high-income countries are welcome to participate, albeit mostly on a self-financing basis.<sup>14</sup>

BOX 2.5.:

**CZECH PARTICIPATION IN FP7**

As the FP7 period passed its half-way point, 3434 Czech teams had participated in the preparation of 2774 project proposals. Relatively, based on the number of participations per 1 million inhabitants, Czech teams are ranked 21st in the EU-27 for intensity of project proposal submission. A comparison of EU-27 countries can be seen in Figure 2.4, where the number of proposals per 1 thousand FTE researchers is also indicated.<sup>15</sup> By this point, **499 grant agreements with 613 Czech participations had already been signed.** The success rate of Czech teams is close to 22%, which, while considered a quite high percentage, is not so satisfactory when combined with the low intensity.

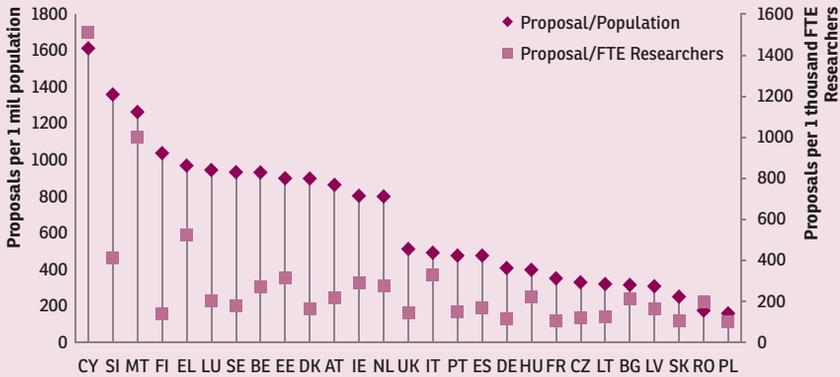


Figure 2.4 – Preparation of proposals by EU-27 countries per 1 million population and 1 thousand FTE Researchers. Source: E-Corda 10/2010, Eurostat.

In regard to the financial results, Czech teams have contracted EUR 146.6 million, almost EUR 109 million of which from the EC contribution. This result, normalised by the GERD (gross domestic expenditures for R&D), puts the Czech teams in 23rd place [E-Corda 10/2010]. It seems that although there are several financial instruments to support participation in FP7 (see more in Chapter 5), the Czech Republic is not profiting from FPs

12 The Associated Countries are: Albania, Bosnia and Herzegovina, Croatia, FYR Macedonia, Iceland, Israel, Liechtenstein, Montenegro, Norway, Serbia, Switzerland, Turkey and Faroe Islands. (Other countries may become associated during the course of FP7.)

13 The ICPC are a series of low-income, lower-middle income and upper-middle income countries (e.g. Russia and other Eastern European and Central Asian states, developing countries, Mediterranean partner countries and Western Balkans countries). Up-to-date information on the status of individual countries relative to the 7th Framework Programme for RTD is available at: [http://cordis.europa.eu/fp7/who\\_en.html#countries](http://cordis.europa.eu/fp7/who_en.html#countries).

14 As given by Council Regulation No. 1934/2006: Australia, Bahrain, Brunei, Canada, Chinese Taipei, Hong Kong, Japan, the Republic of Korea, Kuwait, Macao, New Zealand, Oman, Qatar, Saudi Arabia, Singapore, the United Arab Emirates and the United States [(EC) No 1934/2006].

15 FTE – full time equivalent.

to the fullest possible extent, and participation in these programmes should be further promoted. One of the bottlenecks of participation is found in their coordination. Statistics show that this problem is common amongst other new Member States and stems from the very low number of coordinators among participations. Moreover, if the success rates are counted separately for coordinators and participants, it is clear that coordinators' results are significantly decreasing the general success rates. Given the length of experience and the multiple participations of some organisations in FP7, FP6 or earlier FPs, it could be assumed that the number of coordinators would grow. Czech participation in priorities of FP7 and the contracted EC contribution are shown in Figure 2.5.

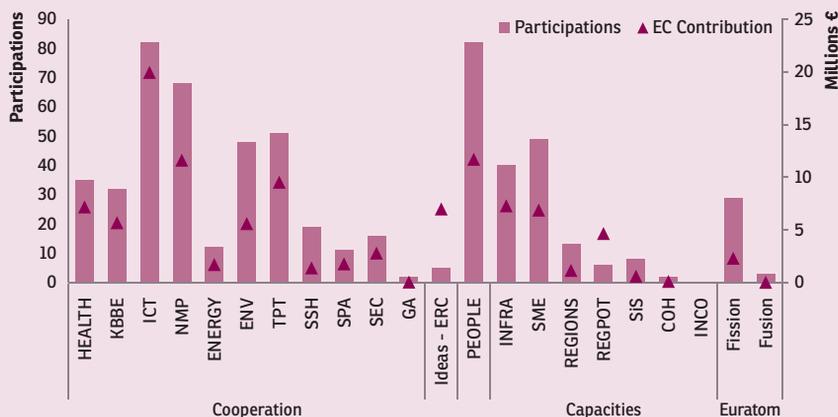


Figure 2.5 – Participation of Czech teams in FP7 within the following priorities including EURATOM. HEALTH – Health; KBBE – Food, Agriculture, and Biotechnology; ICT – Information and Communication Technologies; NMP – Nanosciences, Nanotechnologies, Materials and new Production Technologies; ENERGY – Energy; ENV – Environment (including Climate Change); TPT – Transport (including Aeronautics); SSH – Socio-economic Sciences and Humanities; SPA – Space; SEC – Security; GA – General Activities (Annex IV); ERC – European Research Council; PEOPLE – Marie-Curie Actions; INFRA – Research Infrastructures; SME – Research for the benefit of SMEs; REGIONS – Regions of Knowledge; REGPOT – Research Potential; SIS – Science in Society; COH – Coherent development of research policies; INCO – Activities of International Cooperation; Fusion – Fusion Energy; Fission – Nuclear Fission and Radiation Protection. Source: E-Corda Projects, 10/2010.

### 2.5.2 FP7 information infrastructure

To provide advice and support to organisations involved in the preparation and implementation of FP projects, different support services have been established. This infrastructure is built upon two main pillars: Community Research and Development Information Service web portal (CORDIS) and the network of National Contact Points (NCPs). There are also other services supporting effective participation in FP7.

CORDIS (accessible at <http://cordis.europa.eu>) ensures the dissemination of information about FP7. This portal contains all the necessary legally binding and non-binding documents for FP7. It provides (among other things):

- information about calls (both active and inactive);
- a partner search tool;
- national contact information and other support services;
- a database of funded projects;
- news and events in the ERA.

The CORDIS portal serves as a hub for information about research activities in the ERA. It also provides links to past FPs.

**The network of NCPs** provides free guidance, practical information, and assistance regarding all aspects of participation in FP7. NCPs are established on the national level and mostly financed by national governments. NCPs are official representatives nominated by national authorities and regularly trained by the EC. One of their main contributions consists in providing tailored information and advice in the national language(s). NCPs are thematically specialised to cover every theme explored by FP7. These thematically specialised NCPs operate on a Europe-wide basis; there are 18 thematic networks within the network of Contact Points.

**Other support services** available to participants include:

- Enquiry Service (a service provided by the Europe Direct Contact Centre)
- Ethics Help Desk for all FP7 projects
- IPR HelpDesk – Intellectual Property Rights
- IGLO Network – Informal Group of national RTD Liaison Offices
- CORDIS Mini-Guide

Links to these services can be found on the CORDIS website.<sup>16</sup>

BOX 2.6.:

#### **FP7 INFORMATION INFRASTRUCTURE IN THE CZECH REPUBLIC**

In the Czech Republic, most information concerning FP7 can be found on the Czech FP7 website and in a specialised journal. Consultation support is provided mainly by the Czech national network of NCPs and a regional network of consulting organisations. The liaison office in Brussels also provides important support services. More details are described below.

##### **www.fp7.cz and FP7 Bulletin**

The www.fp7.cz website provides information about calls, work programmes, news, and events relating to FP7 in the Czech language. The nature of the information provided makes it very similar to the CORDIS website. It is a hub of information associated with FPs and European research in general. Visitors can register for e-mail notifications about news. The website can also be used to subscribe to the FP7 Bulletin, which concisely summarises news and calls of FP7.

##### **Echo – information about European research**

*Echo* is a Czech-language bimonthly journal focused on ERA-related information. It provides information about European policy developments, event reports, and interviews with various stakeholders, research fellows, administrators, and other interesting people. It notifies readers about FP7 calls and their results, evaluations and analyses of participation in European research programmes, FP7-project success stories, etc. *Echo* is distributed free of charge.

##### **Information Centre for European Research (NICER) – the NCP network**

The networks of NCPs differ from country to country; systems in different countries are based on a wide variety of architectures, from highly centralised to decentralised networks. **In the Czech Republic, NCPs are seated mainly at the Technology Centre ASCR** in

<sup>16</sup> [http://cordis.europa.eu/fp7/get-support\\_en.html](http://cordis.europa.eu/fp7/get-support_en.html)

Prague (TC ASCR) and financed by the 'National Information Centre for European Research (NICER)' project. The general aim of the NICER project is to provide complex support to Czech entities involved in the European Research Area (ERA), i.e. to:

- facilitate NCP activities related to FP7; the activities are used to raise public awareness about the programme and to provide FP7 training and professional consultation to individual teams preparing or dealing with FP7 projects;
- manage a financial support system for the preparation of large FP7 projects;
- publish *Echo*, the bimonthly journal focused on ERA-related information, and publications focused on in FP7 issues (see above);
- administer the 'CzechRTD.info' portal, which provides information to foreigners regarding RTD structures in the Czech Republic and enables Czech teams to publish their proposals on European cooperation in specific RTD and innovation areas;
- cooperate with the EC and with representatives of the Czech Republic in the Programme Committees of FP7 and the COST scheme;
- maintain a connection to the European network of NCPs for FP7;
- develop close cooperation with the department for international cooperation in RTD at the Ministry of Education, Youth and Sports to monitor the participation of the Czech Republic in FP7 and the application of FP7 results to analytic studies and to shaping the concept of Czech participation in the ERA.

#### **Czech National Information Network for EU Framework Programmes (NINET)**

Apart from the national network of NCPs, there also exists a **regional network of consultation service organisations**. Together with the NICER of TC ASCR, they form a network called NINET, which supports Czech participation in FPs. This network consists of both regional and field-specific organisations. Their main advantage is local presence and close ties with Czech participants in different regions and fields of expertise.

#### **Czech Liaison Office for Research and Development (CZELO)**

CZELO, with offices in Brussels, provides support to activities related to FP7. CZELO is one of the member offices of the Informal Group of RTD Liaison Offices (IGLO). CZELO offers the following services:

- provides targeted and timely information on European research and opportunities for participation in international research consortia (**Newsletter CZELO**, web: [www.czelo.cz](http://www.czelo.cz));
- prepares and facilitates meetings of Czech researchers with relevant officers of the European Commission for the promotion of research topics and project proposals (CZELO Workshops);
- systematically promotes Czech research and its results, partner capacities, and specific offers for collaboration;
- organises information days about Czech research and development for European institutions (European Parliament, European Commission, EU Council, and others), organisations based in Brussels, and partner offices;
- provides a basic support infrastructure and assistance for meetings of Czech researchers with potential project partners in Brussels.

The Czech FP7 infrastructure consisting of the above-mentioned networks is funded by the Ministry of Education, Youth and Sports. The EUPRO special support programme for the development of the research information infrastructure is dedicated to such activities.

## 2.6 CONCLUSION

Since the 1950s, European research policy has undergone enormous development. From the attitude to research as one partial driver of development (support for industry) in areas such as energy supply or agriculture, it has become a high-profile objective of the whole European Community with a broad range of topics and horizontal objectives, such as researchers' mobility (support for both industry and basic research). The development of Framework Programmes has imitated this trend, starting as an European programme directed at particular domains (energy, information and communication technologies), and evolving into the extensive instrument of European research policy and creation of the ERA that it is today. Figure 2.6 summarises the development of framework programmes over time. It shows the increasing budget over time, reflecting the increasing role and importance of framework programmes in executing European research policy and the Czech position towards FP.

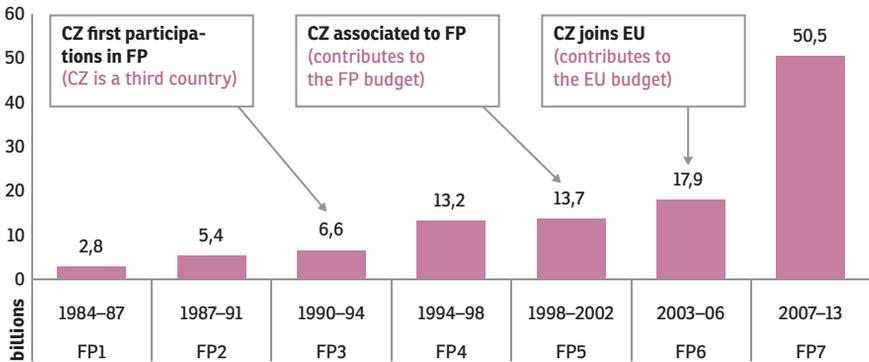


Figure 2.6 – Development of FP programmes, periods and budgets with a history of Czech participation in FPs. Units are first in millions of ECU and later in millions of EUR (2002).

The Czech Republic's participation in Framework Programmes began earlier than its entry into the EU: first as a third country in programmes devoted to international cooperation, later as a candidate country, and from 2004 as a regular member. Even though the result of the participation of the Czech Republic in recent years is not regarded as satisfactory, participation in the ERA is still important. Czech research and support teams are slowly learning how to profit from FP7 participation and how to deal with related administration. The substantial support for FP participants in the Czech Republic is represented by the network of NCPs, regional services, and the CZELO office in Brussels. It can be expected that further experience with FP participation in the future will enhance the required skills, help the current shortcomings and pitfalls of project management to be overcome, and improve the participation pattern of the Czech Republic.



# 3



## **The Life-cycle of an FP7 project and its management**



## 3. The Life-cycle of an FP7 project and its management



Lenka Chvojková, Lucie Vavříková

### 3.1 INTRODUCTION

Successful submission and implementation of FP7 projects is closely connected with effective project management. The following chapter explores, in detail, the whole life-cycle of an FP7 project and presents relevant experiences of various Czech beneficiaries in this process. It focuses on administrative, legal, and financial management during project preparation, submission, evaluation, negotiation, and implementation. Particular attention is paid to the internal management of relations within the consortium and to the external management of relations with the EC. This chapter also explores how participation in FP7 projects influences institutions in terms of their internal organisation and staff. In addition, issues following the project's end, such as audits, final reporting or publishing, are discussed.

The greatest attention is given to the management of projects based on FP7 Specific Programmes (SP) Cooperation and Capacities. In these programmes, several types of projects can be realised, explanations are given based on the most typical project types, namely Collaborative Projects and Coordination and Support Action (CSA). Specificities of SP People (Marie Curie Actions) are mentioned where relevant. Projects under the SP Ideas (ERC) are omitted, since there are only few of them in the CZ.

Information in this chapter is based on the rules of FP7, the experience and knowledge of the NCPs' team based in the TC ASCR, and the results of a questionnaire survey conducted by the TC ASCR in June 2010 [TC Survey, 2010]. Details on the questionnaire can be found in the annexes. For the statistical data, E-Corda, the official database of the EC [E-Corda, 10/2010], is used. Data available from this database reflect the status quo of the FP7 as of October 2010. However, for the purposes of comparing survey results with E-Corda data, E-Corda data from May 2010 [E-Corda, 05/2010] are used, as this set is more relevant to the date of the survey.

### 3.2 THE LIFE-CYCLE OF FP7 PROJECTS

The whole life-cycle of FP7 projects and their management is depicted in Figure 3.1 below. The life-cycle begins with the preparation and submission of project proposals, as a reaction to the publication of the EC's call for proposals. In the majority of cases, projects are to be worked on by a number of partner organisations (i.e. a consortium). Formation of the consortium is thus an important phase of the

FP7 project proposal preparation. After the call deadline, submitted proposals are evaluated by a panel of independent evaluators, and the final selection of the proposals is adjusted by the EC according to the possibilities of the budget allocation.

The EC then enters into negotiations with the consortia of successful proposals retained for funding. If an agreement on project settings is reached, negotiations result in a Grant Agreement (GA) signature between the coordinator and the EC. Afterwards, the consortium partners accede to the GA. Simultaneously, a Consortium Agreement (CA) of project partners in the consortium is usually prepared and signed. The negotiation can be a very long procedure lasting several months.

Implementation of the project itself usually lasts between two and five years and involves the fulfilment of project objectives and submission of activity and financial reports to the EC on a regular basis. Activities performed and money spent during the project implementation can be audited by the EC at any time during the implementation of the project and up to five years after the project ends.

This chapter goes through the FP7 project life-cycle, as described above, and gives detailed descriptions of each step in it. The descriptions are enriched with Czech experiences based largely on the survey results [TC Survey, 2010].

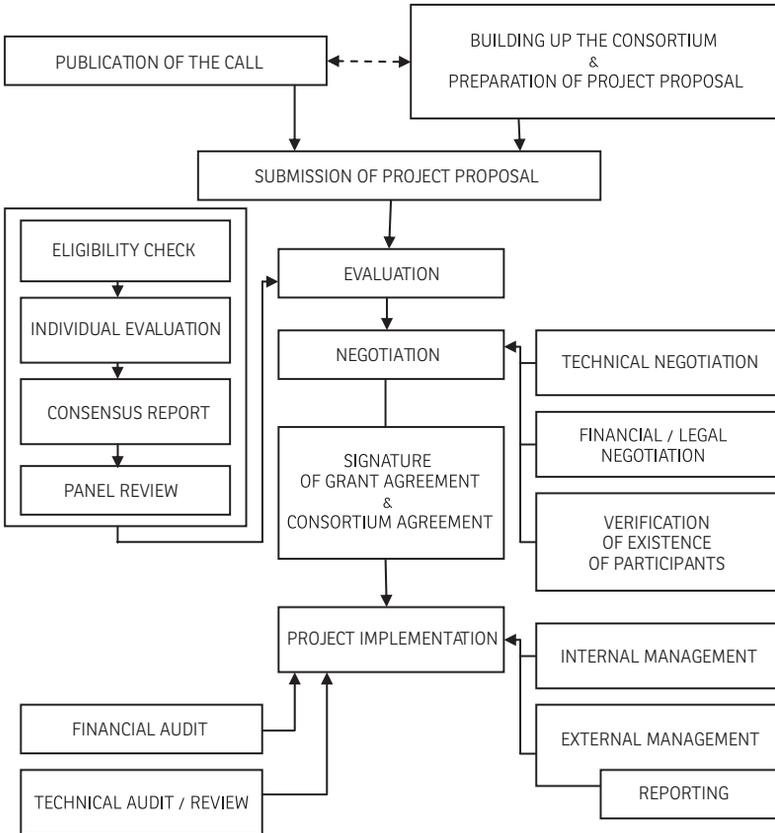


Figure 3.1 – Life-cycle of an FP7 project and its management

### 3.3 PROJECT PROPOSAL PREPARATION AND SUBMISSION

Every research project aiming to gain funds from support programmes for RTD starts with the preparation of a project proposal. During this stage, future project partners meet to develop and exchange ideas, adapting them to the requirements of the particular programme and call. In FP7, the preparation is particularly demanding. Not only because the project proposal has to be of the best scientific excellence but also because an FP7 project, compared with a national project, has to include partners from different national RTD environments, and often different sectors. Reaching a consensus on project topics and settings, and on the inclusion of the partners necessary to meet the required scientific excellence criteria for yielding European added value, can be a lengthy process. Typically, work on a project proposal lasts for several months, during which research and administrative staff elaborate the detailed content for the proposal, including administrative financial and legal issues, and the research component of the project proposal. Once the project proposal has been completed, it is electronically submitted to the EC.

- i** For more information on the content below, consult the following EC guidance document(s):
- **Guide for Applicants** (found on the CORDIS website under the specific call)

#### 3.3.1 Publication of the call and forming the consortium

##### 3.3.1.1 Calls for project proposals

Proposals are submitted in response to **calls for proposals** (calls) published by the EC on the CORDIS website.<sup>17</sup> Calls are also notified in the Official Journal of the European Union.<sup>18</sup> Most of the calls of SP Cooperation and Capacities are planned for publication in July. Calls are usually open for a period of 3-6 months, depending on the specificities of the call. Exceptionally, there are calls that are open continuously.

The CORDIS call website contains all the information, documents and links to IT tools used for project preparation and submission. Details of the call (i.e. **Call Fiche**) usually specify topics, required project type, indicative call budget (and its breakdown), deadlines for submission, information on the evaluation procedure, and additional eligibility information. A detailed description of the objectives and topics of the calls are set out in the **Work Programme** and its annexes.<sup>19</sup> **Work programmes** are usually updated once a year, depending on the priority of FP7.

Calls for project proposals, with the exception of the Call Fiche and Work Programme, are accompanied by a relevant **Guide for Applicants**. This guidance document is the **main source of information** regarding the given call, describing the properties of the project type<sup>20</sup> and how to apply and submit the proposal, and also

<sup>17</sup> <http://cordis.europa.eu/fp7/dc/index.cfm?fuseaction=UserSite.FP7CallsPage&rs>

<sup>18</sup> <http://eur-lex.europa.eu/JOIndex.do>

<sup>19</sup> Also available on the CORDIS website.

<sup>20</sup> 'Project type' stands for the same thing as 'funding scheme' in FP7. The latter is the official term used in the Guide for Applicants; the former is used informally.

providing pre-submission checklists. In many countries, further help is provided by the NCPs, offering consultation on both topics and administrative matters (for more information, see Chapter 2.5.2).

BOX 3.1.:

#### **DISSEMINATION OF CALL INFORMATION IN THE CZECH REPUBLIC**

Czech NCPs based in the TC ASCR help with the further dissemination of information about calls for proposals. Firstly, information is published in the journal **Echo**<sup>21</sup> (with a special attachment for July calls). Secondly, news about calls is disseminated via the national **website** dedicated to information about FP7, [www.fp7.cz](http://www.fp7.cz). This website also provides contact information for all the NCPs that can be contacted to discuss topics and other issues concerning the call.

Thirdly, TC ASCR regularly organises **information days and other events** connected with FP7. Information days usually cover a particular priority or thematic area and relevant open calls. Often an EC officer responsible for the given area within the call is invited to hold a lecture. The programme of these events is usually complemented with a lecture about financial and legal matters and/or about the experiences of successful project participants, following by an open discussion.

Best practice suggests the optimum scenario to be **joint information events** providing information about several RTD programmes/funds. This is more information-efficient for the participants and facilitates the cooperation of participants from different research and industrial sectors.

#### **3.3.1.2 Forming consortia and partner search**

Most FP7 projects are submitted by a number of participants (legal entities) who work together as a **consortium**. The consortium ought to be established so that it is capable of effective fulfilling of the research goals jointly, i.e. goals cannot be reached otherwise. Three independent organisations from three different EU Member States or Associated Countries<sup>22</sup> are usually the required minimum. Cooperation of different types of organisations representing, e.g. both the public and the private sector is supported. A project consortium is led by a coordinator, one of the participants, who is generally responsible for the overall planning of the proposal and the formation of the consortium. The coordinator also manages, on behalf of the **consortium**, other duties including communication with the EC and submission of the final proposal.

An intended consortium for an FP7 project should be created so that it is capable of achieving the project objectives corresponding to the given call. Each of the partners of the consortium has to suit the tasks assigned to them. Complementary strengths between participants need to ensure the composition of the consortium is well balanced in relation to the objectives of the project. When evaluating a project proposal, the principal criterion for research funding in FP7, scientific excellence, is assessed for the consortium as a whole.

There are several ways in which to **bring a consortium together**. The most natural way is to exploit the potential of existing partnerships and cooperation among research teams and organisations. New partners are traditionally found by

<sup>21</sup> Echo – Information about European Research. ISSN 1214-7982. <http://www.tc.cz/echo>.

<sup>22</sup> For more details, see Chapter 2.5.1.

searching for a team that excels in the given field, networking at research events (such as conferences etc.), or by recommendation.

Many events can have a possible partnering side effect. Attendance at such events may help lead to the formation of new partnerships and provide an opportunity to meet existing partners, share intentions and ideas, and formulate common research goals. Within the context of FP7, several events are organised, such as **information days, brokerage events or fairs**. These events are organised both on the national and the European level. Information about these events on the European level is disseminated via the CORDIS website.

For establishing new partnerships, there are also **specific online tools**, so-called **partner search databases**. There the profile of organisations interested in cooperation in FP7 projects is posted and made available to other organisations. The most universal and best known database is found on the CORDIS<sup>23</sup> website. There exist thematically specialised partner search services, such as Ideal-ist<sup>24</sup> in the field of ICT or the Fit for Health project<sup>25</sup> supporting partner searches for SMEs (mainly in the health sector). Other partner search is provided by the Informal Group of RTD Liaison Offices (IGLO).<sup>26</sup> In some priorities, partner search facilities may be linked from the call information site on the CORDIS website.

A very useful source of information for identifying a thematically relevant partner is the **database of successfully implemented FP7 projects on CORDIS**.<sup>27</sup> The database interface facilitates searches for projects according to their thematic priority and activity, with contacts for project coordinators for each project included. Information retrieved serves as a reference tool for identifying successful participants and experienced coordinators in certain areas of research.

#### BOX 3.2.:

##### **CZECH EXPERIENCE WITH FORMING FP7 CONSORTIA**

Czech participants in FP7 have typically taken advantage of **existing or past collaborations** when forming project consortia. More than **70% of participants confirm** this approach [TC Survey, 2010].

A number of these partnerships were established during former FP projects. More than 40% of Czech partners claim that FP5 or FP6 participation helped their consortia enter or form the actual consortia for FP7. This Czech experience conforms to the general trend in continuous **participation** from FP5 and FP6 to FP7. According to the EC official project database, this rate of 're-participation' is nearly 50% [E-Corda, 10/2010]. Repeated participation in FP projects helps Czech partners not only to enrich their network of useful contacts abroad but also to gain more experience in the administrative requirements of the EC.

Almost 20% of Czech respondents confirm that they benefited from attendance at conferences, information days, and brokerage events.

Czech experiences with forming consortia, based on organisation types, are shown in Figure 3.2. The way of entry into a consortium tends to differ only in the case of public bod-

23 [http://cordis.europa.eu/fp7/partners\\_en.html](http://cordis.europa.eu/fp7/partners_en.html)

24 <http://www.ideal-ist.net>

25 <http://www.fitforhealth.eu/participate.aspx>

26 <http://www.iglordt.org/services/partner.html>

27 For FP7 projects [http://cordis.europa.eu/fp7/projects\\_en.html](http://cordis.europa.eu/fp7/projects_en.html); for FP6 projects <http://cordis.europa.eu/fp6/projects.htm>.

ies. However, due to the low number of responses coming from this sector, this may not be predicative [TC Survey, 2010].

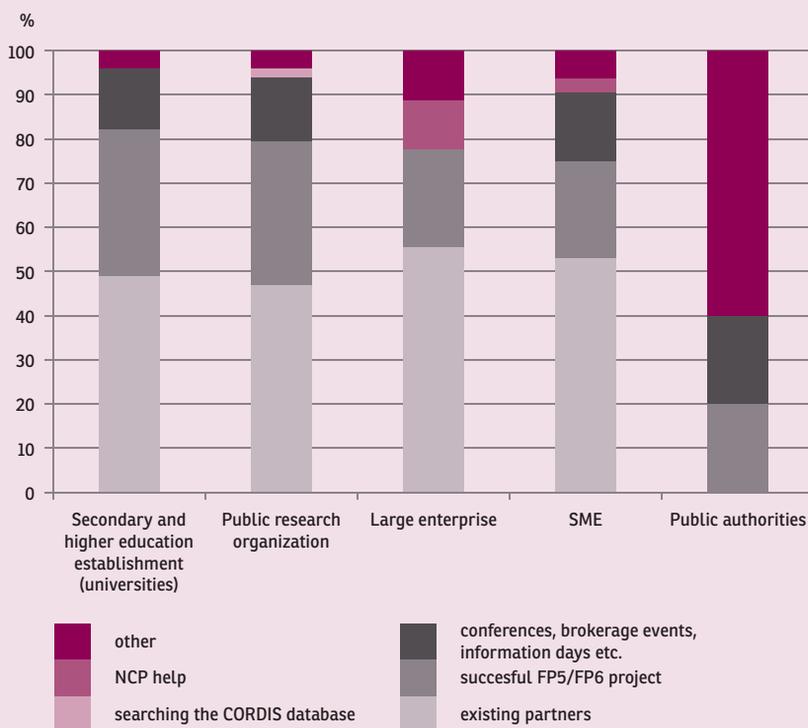


Figure 3.2 – Forming a consortium – how partners for consortia were found by type of organisation (both from the coordinator's and partner's view)

With the **partner search** tools, Czech teams can profit from the services of TC ASCR, which on its FP7 website<sup>28</sup> presents foreign offers for cooperation in FP7 projects. IGLO's partner search, already mentioned above, is coordinated from the national offices connected in this network. On the Czech side, it is coordinated by the Czech Liaison Office for Research and Development (CZELO)<sup>29</sup> based in Brussels. Although there are several customised tools for partner search, as well as the generic ones, Czech experiences indicate that **they are not used** [TC Survey, 2010]. Nevertheless, according to the references of the Czech NCPs, use and usefulness of partner search tools may vary across thematic priorities.

**The Czech NCPs** could also actively help with finding partners for consortia or with promoting, e.g. in partner searches. Looking at the experiences of Czech participants, there is evidence of use of this method, mainly in the private sector (large enterprise and SME) [TC Survey, 2010].

<sup>28</sup> <http://www.fp7.cz/partner-search>

<sup>29</sup> <http://www.czelo.cz/nabidky-spoluprace>

### 3.3.2 Preparation of a project proposal

As already mentioned, scientific excellence, or the quality of the research ideas in a project proposal, is the core aspect of project success. However, it is important to bear in mind that the correct administrative form and structure of the proposal play an important role as well. Insufficiency in any part of the project proposal constituting evaluation criteria could result in the failure of the whole project. Relevant details of this ‘administrative side’ of proposal preparation are introduced in this subchapter.

A full **project proposal** consists of **two parts – Part A and Part B**. **Part A** contains the administrative and financial description of the project; **part B** is the description of the project proposal (mainly research activities, management of the project, and justification of resources to be committed). The structure of both parts depends on the FP7 Specific Programme and requested project type. Necessary information can be found in proposal call descriptions and the respective Guide for Applicants.

In certain priorities (e.g. ICT) in selected calls, a short two-page outline of the research ideas of a proposal can be submitted to the EC in advance. This process is called a **pre-proposal check**, and it allows a proposer to check the appropriateness of their intended proposal and the eligibility of the proposal consortium. However, it is important to bear in mind that this advice given by the EC is only informal and non-binding.

Within certain calls, a formal **two-stage submission** procedure is applied. In the first stage, the planned work is presented as a short proposal of usually 10 to 15 pages, which is evaluated by independent experts against a limited range of criteria. Proposers who achieve satisfactory scores at this stage are then invited to submit a full proposal in the second stage.

#### 3.3.2.1 Content of a project proposal

Part A of the project proposal contains the administrative information about the proposal and the participants. This part is split into three sections:

- Section A1 gives a summary of the proposal;
- Section A2 describes the details and characteristics of the proposal participants;
- Section A3 deals with cost of the proposed project.

Details of the work intended to be carried out are described in **Part B**, and the Guide for Applicants provides instructions for drafting this part of the proposal. The recommended structure consists of three parts again. The proposed structure of three sections enables the expert evaluators to make an effective assessment against the three predetermined evaluation criteria, and it is advisable to follow the instructions in the guide (for more details concerning the evaluation criteria see Chapter 3.4). These three sections describe:

- In the first section of Part B, the **scientific and technical content** of the proposal (S/T quality) is presented. It describes the research idea, concept, and objectives of the project. It addresses how the project will improve on the current state-of-the-art and gives the details of the methodology to be used in the project and the associated work plan. A detailed work plan in FP7 should be structured into so-called work packages.
- In the second section, a description is given of the proposed **implementation of the project**, management structure and procedures, of individual partici-

pants, of the consortium as a whole, and of the resources to be committed within the project.

- In the third and last section, **the impact of the project** is presented. This section includes a description of expected impacts, as listed in the Work Programme, in relation to the topic or topics in question, dissemination and/or exploitation of the project results, and the management of intellectual property (intellectual property rights (IPR)).

Where relevant, a fourth section dealing with **ethical issues**<sup>30</sup> is added. Optionally a section describing **gender aspects**<sup>31</sup> can also be added.

The requested structure of the project proposal varies slightly between different FP7 Specific Programmes. Naturally, it reflects the different objectives and requirements of the different types of projects. To demonstrate some differences between the two poles of FPs, the mobility projects, and collaborative projects, the details of the **Marie Curie Actions** covering mobility are given.

For the most common Marie Curie scheme, the Intra-European Fellowships for Career Development (IEF Action), the following structure sections are requested:

- A1: An overview of the proposal
- A2: Host organisation
- A3: Details of the researcher
- A4: The financial aspect

The structure of Part B of the Marie Curie Projects is slightly different. For the IEF Action, for instance, the following sections must be completed:

- B1: Scientific and/or technical quality
- B2: Training
- B3: Researcher
- B4: Implementation
- B5: Impact

BOX 3.3.:

#### **COMPOSITION OF PROPOSALS FROM THE PERSPECTIVE OF CZECH EVALUATORS**

Czech evaluators allocate great importance to **how the project is structured and written** and require the proposal to be logically structured and clearly formulated. Evaluators devote limited time (usually 2-3 hours, or sometimes up to half a day) to a proposal evaluation. A well-arranged proposal is written in an understandable way and without content redundancies. Repeating keywords and ideas may help to make the process of evaluation more effective [Boukalová, 2011]. In conclusion to this point, though the idea of the project may be one of scientific excellence, the composition of the proposal largely influences how it is perceived during the evaluation process. Despite this knowledge and internal

30 FP7 Negotiation Guidance Notes specifies: 'If there are ethics issues associated with or raised by a project, the applicants must describe how these will be dealt with. Ethics issues are to be addressed by project proposals that involve the collection/experimentation with humans (including clinical trials), and/or human tissue, the collection or processing of personal data, human surveillance and intervention of any kind of experimentation with animals, genetic information, etc.'

31 This part should consider how best to promote gender equality during the lifetime of the project both in terms of a balanced participation of men and women and in terms of the gender dimension of the scientific research.

experience of TC ASCR, the skill of 'project writing' still seems to be weak among Czech participants.

### 3.3.2.2 Duration of the preparation process

Elaborating a detailed project proposal can be a long and demanding procedure. The **time needed** in FP7 may increase with the requirements of international collaboration and the number of consortium members. Obviously, most of the work lies with the coordinator, as partners usually need less time for the proposal preparation than the coordinator. The preparation process may start even before the publication of the call (i.e. mainly the forming of the future consortium and first research ideas).

BOX 3.4.:

#### CZECH EXPERIENCE WITH THE DURATION OF THE PREPARATION PROCESS

Although some project proposals require less than 3 months of preparation from the coordinator, in almost 75% of cases Czech respondents claim that a **period longer than 6 months, before the deadline, is needed for coordinators** to prepare a proposal. In fact, half of those cases needed more than one year.

Figure 3.3 also shows **when the partners embark on preparation**. A period 7-12 months before the call deadline is the most common (39%), but a 3- to 6-month period is not exceptional (21%). However, still only half of all partners start preparation more than 6 months before the call deadline. Only 20% of proposals did not require more than 3 months for preparation by the partner [TC Survey, 2010]. Sometimes Czech partners also experienced being asked to join the consortium only a couple weeks before the deadline, leading obviously to the lower involvement of such partners in the project proposal preparation, and potentially, to later problems during the project's implementation.

While Czech experiences confirm that the preparation period overall is time demanding, it has to be noted that this could differ according to previous experiences of participants and their role in various projects, scientific areas, project types, etc.

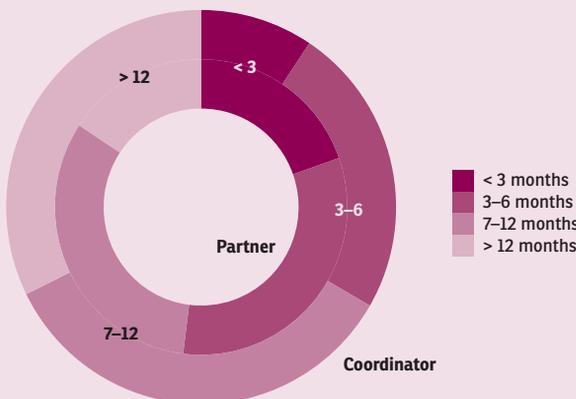


Figure 3.3– Time needed for proposal preparation by coordinators and partners in consortia. Source: TC Survey, 2010.

### 3.3.2.3 Parties involved in proposal preparation

Proposal preparation is a complex process requiring **knowledge of the relevant financial rules** of both institutions and FP7 and an awareness of **intellectual property** matters. Many organisations, especially larger universities and research institutes, establish special **administrative or grant departments** with the responsibility of partial or complete support for project management. Such departments can help with the project proposal preparation and management. Support for proposal preparation may also be outsourced to **external consultancy providers**. As already mentioned, NCPs could also provide consultation in this process.

BOX 3.5.:

#### **PARTIES INVOLVED IN PROPOSAL PREPARATION BY CZECH ORGANISATIONS**

In Czech organisations, project **proposals are mainly prepared by researchers** or research managers. Figure 3.4 shows how different parties are involved in the preparation as reflected by Czech experiences.

**Support of organisations' administrative and grant departments are exploited in one-third of cases** (within SMEs and large enterprises, the number is obviously significantly lower) [TC Survey, 2010]. This involvement is often perceived by Czech researchers as insufficient, and more effective support would be welcomed. This problem concerns mainly large research organisations (including universities). The services of different supporting organisation departments are used mainly for the financial aspect of proposals (Part A, Section 3), proofreading, or sometimes for defining the impact of the project (Part B, Section 3). As for the IPR, part of the proposal (Part B, Section 3), neither Czech researchers nor the Czech administrative staff report having worked on this part (with the exception of a few cases) [TC Survey, 2010]. It may be assumed that **awareness of the importance of the IPR issues is underestimated**.

Consultancy companies are involved in 10% of project proposals with Czech participation. Services of the Czech NCPs are used to some extent as well [TC Survey, 2010].

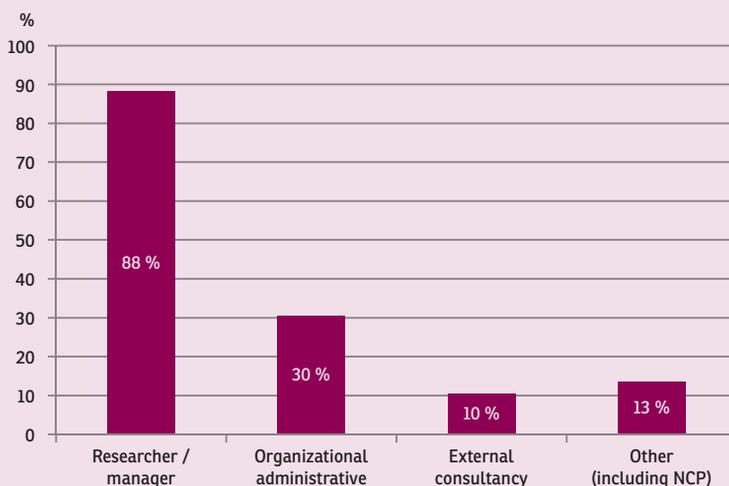


Figure 3.4 – Participants responsible for the project proposal preparation on behalf of the Czech beneficiary. Source: TC Survey, 2010.

### 3.3.2.4 Costs of project proposal preparation

It is obvious that project proposal preparation is a demanding process in terms of expertise, time, and financial resources. Since costs of an FP7 project can only be reimbursed by the EC after being incurred during the project, no funding is provided by the EC for project proposal preparation. Activities, such as travel of the applicants to consortium meetings when developing a proposal, or personnel costs of staff involved in project preparation, thus have to be paid by the applicants themselves. This can be a problem, especially for small companies or publicly funded institutions with limited resources. Therefore, some countries, including CZ, implement financial measures to support proposal preparation from national public sources. More information about this Czech instrument can be found in Chapter 5.5.

### 3.3.3 Submission of the project proposal

After the proposal preparation is finished, it has to be submitted electronically, using the Commission's Electronic Proposal Submission Service (EPSS). This web-based application is accessible from the call site on CORDIS (or on the Participant Portal, PP<sup>32</sup>). Of the participants in a consortium, only the coordinator is authorised to submit the proposal. Other participants are allowed to observe the whole process and fill in certain parts. Both parts of the proposal, Part A and Part B, are submitted together via EPSS before the deadline specified in the call. The information from Part A is entered into predefined EPSS forms, whilst Part B of the proposal is uploaded to the EPSS in PDF format. After the call deadline, access to the EPSS is closed.

## 3.4 PROJECT PROPOSAL EVALUATION

The evaluation of the proposal is one of the important processes in the lifetime of an FP7 project. Firstly, all the proposals undergo a thorough eligibility check. Afterwards, all eligible proposals are evaluated by independent experts on the basis of evaluation criteria determined by the EC as described in the Work Programme. The procedure itself resembles a structured peer review. The process of evaluation is finalised when the evaluators meet to reach a consensus. Based on this, the EC draws up the final list of proposals for possible funding, taking into account the available budget.

- i** For more information about the topics described below see mainly following EC guidance document(s):
- Rules for Submission of Proposals, and the Related Evaluation, Selection and Award Procedures

### 3.4.1 Acceptance of the project proposal and the eligibility check

Shortly after the call deadline, the EC sends to the coordinator an acknowledgement of receipt of the project proposal. This does not, however, imply that the

32 <http://ec.europa.eu/research/participants/portal/appmanager/participants/portal>

proposal has already been accepted for evaluation. Firstly, the eligibility check has to be carried out by the EC. The **eligibility check** is a formal evaluation that looks at whether the proposal meets the eligibility criteria applicable to the given call, i.e. receipt of the proposal before the deadline, minimum number of participants, completeness of the proposal, etc.

BOX 3.6.:

#### **ELIGIBILITY OF PROPOSALS WITH CZECH APPLICANTS**

The **eligibility check typically eliminates around 4% of proposals with Czech applicants**. Aside from proposals that were not complete (also counted in this share in the EC's official database), the reasons for ineligibility are generally the following:

- the proposal is not relevant to the topics of the call;
- budget limits given by the call are not respected;
- the number and composition of consortium members is inadequate;
- attachments are missing (e.g. statements of support from the host institution);
- the incorrect type of project funding scheme is applied [E-Corda, 2010].

All eligible proposals that pass the eligibility check are evaluated by independent expert evaluators.

### **3.4.2 Selection of independent evaluators**

**Expert evaluators** are selected by the EC mainly from its internal database. Experts listed in this database are mainly recruited through online self-application. Anybody deemed to be an expert can register there via the Experts Management Module<sup>33</sup> on CORDIS. However, registration in the database does not guarantee automatic selection for the evaluation. The selection, which is made by the EC, not only depends on the skills of the individual expert but also on the EC's need to match these skills to the proposals received. When selecting experts, the EC also gives attention to the balance between academic and industrial expertise, gender balance, the distribution of the geographical origin of experts, and their rotation. The number of experts registered is not publicly known, but the EC publishes on CORDIS lists of those who have evaluated past proposals (divided according to FP7 specific programmes and priorities).<sup>34</sup>

BOX 3.7.:

#### **CZECH FP7 EVALUATORS**

Approximately 250 expert evaluators from the CZ have already executed an evaluation, which represents slightly more than 1% of the total amount of evaluators in FP7. From this amount more than 120 are registered as evaluators for the biggest SP Cooperation and more than 60 for SP People [List of FP7 Expert Evaluators 2007–2009, CORDIS]. Despite the EC's efforts to maintain a gender balance, there are four times more men than women evaluators in the CZ; this confirms the fact that research is one of the sectors that traditionally suffers from a gender imbalance. Typically, Czech evaluators come from the public research sector, which represents three-quarters of all evaluators. Excluding non-

33 [http://cordis.europa.eu/fp7/experts\\_en.html](http://cordis.europa.eu/fp7/experts_en.html)

34 [http://cordis.europa.eu/fp7/experts\\_en.html](http://cordis.europa.eu/fp7/experts_en.html)

research private organisations and other types of organisations, only a minor number of Czech evaluators come from the industrial sector. This confirms the general situation in the ERA, i.e. the difficulty of attracting expert evaluators from this sector to be involved in the processes as evaluators.

### 3.4.3 Evaluation criteria

Experts chosen from the EC database evaluate proposals on the basis of evaluation criteria that correspond to the structure of the project proposal (as proposed in the Guide for Applicants). Generally, in SP Cooperation and Capacities, there are **three evaluation criteria**:

- S/T quality
- impact
- implementation

According to the different requirements for the structure of project proposals for other SPs, a different set of criteria can be used; for example, the Marie Curie Intra-European-Fellowship Action has five evaluation criteria: S/T quality, training, researcher, implementation and impact.

The evaluator classifies each criterion with a mark from 0 to 5. Usually it is necessary to attain a minimum of 3 in each criterion and a total of 10<sup>35</sup> out of 15 for the whole proposal. However, to be successful in the competition, more than 10 points have to be attained. The Work Programme and the Guide for Applicants specify the evaluation and selection criteria and may add additional conditions and requirements. Criteria may also have different **weights**.

If a call requires proposals to be **submitted in two stages**, in the first stage, applicants present their idea in a brief proposal outline (usually a 10- to 15-page description). This is evaluated against only a limited number of evaluation criteria, as set out in the call, usually S/T quality and impact. Applicants successful in the first stage are invited to submit a full proposal in the second stage, which is evaluated against the full evaluation criteria as set out in the call.

### 3.4.4 Proposal evaluation procedure

Every proposal is first assessed independently by at least three expert evaluators. This part of the evaluation, called **individual evaluation**, is usually carried out on the premises of the expert evaluators concerned ('remotely', i.e. at the evaluator's home or place of work). The expert evaluators record their individual opinions in an Individual Evaluation Report, giving scores and also comments against the evaluation criteria.

Once all the expert evaluators have completed their Individual Evaluation Reports, the evaluation progresses to a consensus assessment, representing their common views. This entails a **consensus meeting**, usually organised in Brussels, to discuss the scores awarded and to prepare comments. The consensus discussion is moderated by a representative of the EC, whose role is to seek a consensus between the individual expert evaluators without any prejudice for or against any particular proposals. The expert evaluators attempt to agree on a consensus score for each of the criteria that have been evaluated and suitable comments to justify

<sup>35</sup> If not stated otherwise in the Work Programme.

the scores. The signing of the **consensus report** completes the consensus step.

If, during the consensus discussion, it is found to be impossible to bring all the evaluators to a common point of view on any particular aspect of the proposal, the EC may ask additional expert evaluators to examine the proposal.

The final step involving the independent expert evaluators is called the **panel review**. It is chaired by the EC and an expert evaluator appointed by the EC. Its main task is to examine and compare the consensus reports in a given area to check on the consistency of the marks applied during the consensus discussions and, where necessary, propose a new set of scores. The outcome of the panel meeting is a report including an **Evaluation Summary Report** for each proposal and a list of proposals passing all thresholds. Subsequently, a **ranked list** is drawn up. If necessary, usually depending on the capacity of the budget in the call, the panel will determine a priority order for proposals awarded the same score within a ranked list. Proposals may be, for example, prioritised according to the higher scores they have been awarded against the S/T quality criterion. When these scores are equal, priority will be based on scores for the impact criterion. If necessary, any further prioritisation, such as the presence of SMEs, international cooperation, etc., will be decided by the panel.

BOX 3.8.:

#### **EXAMPLES OF SHORTCOMINGS IDENTIFIED IN THE EVALUATION SUMMARY REPORTS OF FP7 PROJECTS WITH CZECH PARTICIPATION**

Successful evaluation of the proposal by expert evaluators is a necessary prerequisite for receiving FP7 funding. Often the same mistakes occur in the text of FP7 project proposals. After analysing some of the existing evaluation summary reports, the following frequent shortcomings of proposals with Czech participation have been identified and grouped according to the different evaluation criteria:

##### S/T QUALITY

- *'The proposal is only **partially in line with the objectives** of the topic as only a small part of the work plan is devoted to the....'*
- *'Some of the **proposed technologies** (...) **are already known**. No improvement or optimisation of these methods appears to be planned.'*
- *'There is **not sufficient progress beyond the state-of-the-art**.'*
- *'**The time frame** is considered as **too short to reach the aims**: for example, timing for sampling seems not well managed and planned.'*
- *'**The work plan is poorly represented** in the work packages.'*
- *'Some work packages provide a detailed description of the planned tasks (for example WP 6.8), but others do not; this shows **lack of integration in the work plan**. In addition, work packages are poorly linked to each other.'*
- *'The proposal refers to the use of in vivo tests with animals, but **ethical issues were not considered**.'*

##### IMPLEMENTATION

- *'**Management structures are poorly described**. The flow chart (page ..) does not match the respective description in the text. It is unclear who will make decisions in the project: all partners or only those leading a work package? The involvement of an*

external Advisory Board in project decisions/management is complicating the management structure and may lead to conflicts.'

- 'It is positive that project partners cover a broad field of scientific backgrounds. However, there is a **lack of coherence and collaboration in the consortium as a whole.**'
- 'With 5 partners from ..., **a significant part of the budget goes to one single country (20%). Budget for management is too high.**'
- 'The investigators have the qualifications but **limited experience in some aspects of the work** that will be necessary to undertake.'
- 'The quality of the individual groups is appropriate but in some cases there is a **duplication of expertise.**'
- 'The consortium has a wide European dimension involving a wide group of investigators offering synergistic skills necessary to meet some requirements of the call. However, the **consortium lacks some expertise** to allow completion of the necessary work **to meet all the objectives of the call.**'
- 'The **74 person-months** requested for WP6 are excessive. Partners 8 and 10 have a high manpower for dissemination that is not targeted to the relevant sector.'

#### IMPACT

- 'The dissemination plan seems adequate (seminars, publications, etc.), although **more attention should be paid** to the diffusion of the results by means of **an adequate website.**'
- 'Plans for exploitation of the results and the IP management are not properly addressed.'
- '**The strategy** for dissemination and exploitation is rather **poor and not well explained.** Only two partners are involved in dissemination activities, the **target** of which **remains unclear.**'
- 'From the IP handling section it is **not clear what share of the IP the industrial partners will have access to**, even though they will carry out most of the effort of the industrial exploitation.'
- 'A work package has been dedicated to dissemination and exploitation. This is rather limited because it is mostly directed towards the supply chain sector. **Consumers are not convincingly included as stakeholders, which will lower the impact.** Classical media channels for reaching consumers (or assessment of new technology routes) have not been sufficiently included.'

Source: Information provided to the TC ASCR by FP7 applicants

### 3.4.5 Feedback to applicants and finalisation of the evaluation results

Soon after the completion of the evaluation, the coordinator receives a **letter containing initial information** on the results of the evaluation, including the Evaluation Summary Report (usually within 2–4 months from the closure of the call).<sup>36</sup> The aim is to give the applicants a prompt indication of how their proposal fared in the evaluation by the expert evaluators. However, at this stage the EC does not make a commitment with regard to possible selection and funding.

<sup>36</sup> The letter also gives necessary information to follow if applicants believe that there has been a shortcoming in the conduct of the evaluation process and wish to submit a **request for redress.**

Based on these results of the evaluation by experts, the EC draws up the final **list of proposals retained for possible funding (main list)**, taking into account the available budget. Official information letters are then sent to the coordinators. For the projects retained for funding, this letter marks the beginning of the negotiation phase. Rejection letters are mostly sent out later. Due to budget constraints, it is also possible that some proposals will be placed on a **reserve list**. In this case, negotiations will only begin if funds become available.

BOX 3.9.:

#### **CZECH PROJECTS FROM THE RESERVE LIST THAT ULTIMATELY RECEIVED FUNDING**

In FP7, general, almost 6% of the **proposals from the reserve list ultimately received funding**. There can be several reasons for this. The EC might retain some proposals from the main list for funding under the condition that they reduce their budget, so that some funds are spared. If this is not acceptable to the applicants, or if there is another reason not to proceed with negotiations for project implementation, proposals can be withdrawn, making the relevant funds available for projects on the reserve list. Sometimes new funds also become available enabling the EC to fund extra projects. These can be funds from extra incomes, like associated country contributions or recoveries. Concerning the proposals with Czech participation, the general trend is reflected because the percentage is close to **8%** [E-Corda, 10/2010].

### 3.4.6 Success rates of proposals

As indicated, it is obvious that only a certain percentage of projects submitted are selected for funding. The ratio of the proposals selected for funding to proposals submitted is called the **success rate**.<sup>37</sup>

Success rates vary across the thematic priorities of FP7. They can be influenced by the extent of allocated funding, the attractiveness of the schemes and calls, or other factors, such as the existence of other RTD support programmes in a particular field on the national level. Hence there are several priorities, such as Social Science and Humanities, that are known for over-subscription and consistently and proportionally low success rates.

BOX 3.10.:

#### **CZECH SUCCESS RATES**

An illustration of success rates of the FP7 priorities is given in Figure 3.5, which shows the **relationship between the success rates of Czech participants in the priorities of FP7 and the success rates of all participants**. From a certain point of view, this figure could indicate in which RTD areas Czech strengths and weaknesses (research potential) lie.

<sup>37</sup> The success rate counts only proposals that passed the eligibility check and those evaluated in the second stage (in case the proposals have been submitted in a two-stage submission procedure).

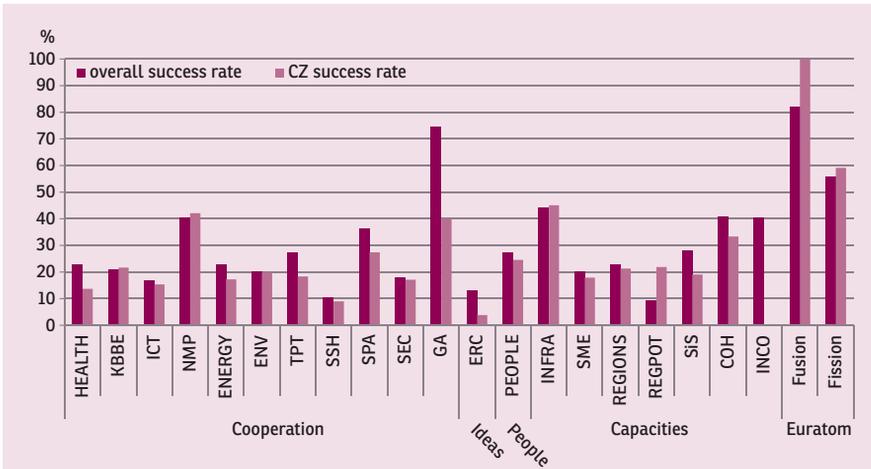


Figure 3.5 – FP7 success rates. HEALTH – Health; KBBE – Food, Agriculture, and Biotechnology; ICT – Information and Communication Technologies; NMP – Nanosciences, Nanotechnologies, Materials and New Production Technologies; ENERGY – Energy; ENV – Environment (including Climate Change); TPT – Transport (including Aeronautics); SSH – Socio-economic Sciences and Humanities; SPA – Space; SEC – Security; GA – General Activities (Annex IV); ERC – European Research Council; PEOPLE – Marie-Curie Actions; INFRA – Research Infrastructures; SME – Research for the benefit of SMEs; REGIONS – Regions of Knowledge; REGPOT – Research Potential; SIS – Science in Society; COH – Coherent development of research policies; INCO – Activities of International Cooperation; Fusion – Fusion Energy; Fission – Nuclear Fission and Radiation Protection. Source: E-Corda, 10/2010.

### 3.5 PROJECT NEGOTIATION AND START

Once the evaluation and ranking is completed, coordinators of proposals retained for funding are invited by the EC, in writing, to commence negotiations with the EC. The overall purpose of the negotiation process is to agree on the scientific and technical details of the project and to agree on the financial and legal information needed to prepare a Grant Agreement. These aspects are intrinsically linked and are negotiated in parallel. Simultaneously, the existence and legal status of all participants taking part, for the first time, in FP7 projects has to be verified. Finally, a so-called Grant Agreement (GA) with the EC and a Consortium Agreement between the project partners are signed.

**i** For more information on the topic described below, see mainly the following EC guidance document(s), which can be found on *CORDIS*:

- Negotiation Guidance Notes
- Rules on Verification of Existence, Legal Status, Operational and Financial Capacity

#### 3.5.1 Technical, financial and legal negotiations

During the technical, financial, and legal negotiations, the original project proposal is adjusted. Nonetheless, changes can only be made to the extent where they do not compromise the validity of the evaluation.

The aim of the **technical (scientific) negotiations** is to agree on the final content of the description of the project work (Annex I to the GA) with the EC. Part B

of the proposal is then adjusted based on recommendations specified in the Evaluation Summary Report and EC requests. During the negotiation process, the EC verifies that:

- the project objectives are SMART (S-Specific, M-Measurable, A-Attainable, R-Realistic, T-Timely);
- the work plan of the project is defined in sufficient detail;
- the outputs of the project, their timing, and dissemination activities are agreed.

The **financial negotiations** focus mainly on reaching an agreement on the budgetary matters of the project and specifying the amount of the initial pre-financing and scheduling of project reporting periods.

The **legal negotiations** address mainly IPR issues, the project start date, and the need to add any special clauses to the GA. Consortium management and relations among partners (including IPR aspects) are not subject of the legal negotiations with the EC.

During the negotiations, there is also an opportunity to consider the gender and ethical aspects if necessary.

BOX 3.11.:

#### **CHANGES MADE TO PROJECT PROPOSALS DURING THE NEGOTIATIONS AS REFLECTED BY CZECH PARTICIPANTS**

During the negotiations, in the **majority of projects with Czech participation no remarkable changes** to the project proposals are made compared to the original submission. Figure 3.6 illustrates current experiences with changes implemented during the negotiation process.

Nevertheless, when changes were made, the majority of them concerned **financial issues**, i.e. the budget. About 60% of Czech participants confirmed that there was a change in their planned project proposal budget, particularly a reduction of their budget [TC Survey, 2010]. This also reflects the situation of beneficiaries in other countries participating in FP7, with proposed budgets in FP7 reduced in 75% of cases. This decrease is not radical, usually involving a decrease to approximately 92% of the original budget, and presumably it reflects all the changes made to the project during the negotiations. On the other hand, exceptionally, budgets were even increased [E-Corda, 05/2010].

Coming back to the situation in the CZ, further changes to the project proposals are confirmed during **research (scientific)**, i.e. Part B. Almost one-third of projects with Czech participation faced such changes. As Czech experiences confirm, in exceptional cases complete cancellation of certain research activities can even be agreed as well as the introduction of entirely new ones. A further adjustment, which is very often connected with a change to research activities, is the **planned amount of person-months**.

Changes in **consortium structure** also occur rather frequently. Almost one-fifth of Czech participants have experienced such changes. A change in a consortium's structure could be caused, for example, by a partner's disagreement about IPR issues, resulting in their leaving the consortium. The above is usually a result of IPR issues very often being discussed after the project's commencement, even though consortia are strongly encouraged to discuss these issues during proposal preparation or during negotiations with the EC at the latest.

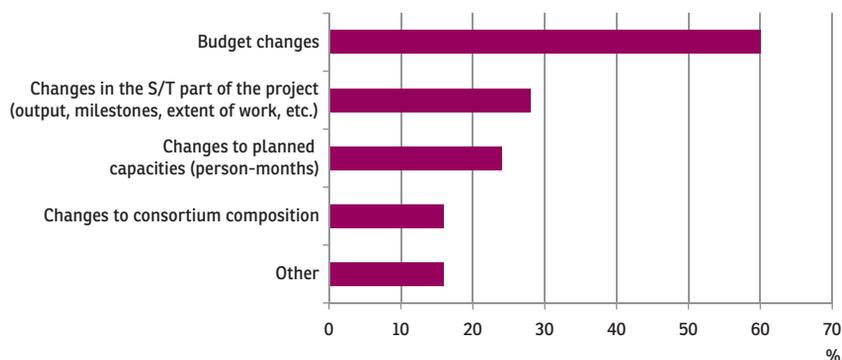


Figure 3.6 – Different changes made to the project proposal during the negotiations – Czech experience. Source: TC Survey, 2010.

Negotiations are led by the Project Officer on the Commission's side (eventually accompanied by specialised administrative financial or legal officers) and the coordinator on the applicants' side (sometimes accompanied by key project participants).

The **negotiation process** itself, i.e. the process that starts with an invitation to the coordinator to commence negotiations and finishes with the GA signature, usually takes from 3 to 12 months. The period varies according to the different SPs and the individuality of the cases, but generally the process is considered to be lengthy and demanding. It was also revealed that, due to some of the more lengthy negotiations from the early FP7 calls, the mean time-to-grant, i.e. the time from the call deadline to the signature of the GA, is 350 days (median 335) [FP7 Mid-term Evaluation Report, 2010].

BOX 3.12.:

#### **DURATION OF THE NEGOTIATION PROCESS AND CZECH EXPERIENCE**

**The negotiation process of projects with Czech participation lasts in one-third of cases for 3–6 months.** Exceptionally, a negotiations process shorter than 3 months may be experienced. On the other hand, a significant number of Czech participants (more than 15%) experience a process longer than 12 months, as shown in the figure below, mainly within the priorities of Transport and Security [TC Survey, 2010]. Thus it is not surprising that Czech participants perceive the negotiations to be too long, as the findings of the FP7 Mid-term Evaluation Report also confirm [FP7 Mid-term Evaluation Report, 2010].

The reason for the lengthy procedure may lie in the **demanding process of validation of the participants**, especially in the case of participation of entities from third countries, which is more complicated (more information about validation is given in the box below). However, because a great number of organisations are currently already validated, optimistic expectations are at place regarding the future length of the process.



Negotiations are carried out via e-mail and personal meetings (mainly in Brussels or Luxembourg). The size and nature of the project may determine whether the meetings are required or not. Furthermore, to facilitate the negotiation process, the interactive online tool **NEF (Negotiation Facility/Forms)** is used. It serves as a channel for communication and exchange of negotiation information between the EC project officer(s) and the coordinator. Since the start of FP7 (since 2007) its use has been significantly broadened. Currently, it is used to negotiate the administrative and the technical parts of projects. The online NEF is accessible via the Participant Portal (PP).<sup>38</sup>

### 3.5.2 Verification of the existence and legal status of participants

Before the signing of a GA, the EC also has to verify the existence and legal status of all participants (so-called validation). As a principle for FP7, such validation is done only once for each entity – during the first participation in an FP7 project. Upon successful validation, each entity receives its final unique nine-digit identifier, the **Participant Identification Code (PIC)**, which is used thereafter to identify the participant in any subsequent FP7 projects (without repeating the validation process).

On the basis of relevant documents provided by the participants, the legal existence and status is validated by a special EC Central Validation Team (EC CVT). Records of the validated entities are then stored in an EC central database called the **Unique Registration Facility (URF)**. Currently, more than 17 000 organisations are already registered and validated for FP7. This means that most probably the majority of participants in newly established consortia submitting proposals in FP7 are already validated and possess a PIC [Negotiation Guidance Notes, 10/2010].

Each validated legal entity appoints one person as the **Legal Entity Appointed Representative (LEAR)**. Only the LEAR is then authorised to represent the entity and manage (i.e. administer and correct) any case of obsolete or wrong information regarding its legal information stored in the central database (URF). All the changes, i.e. organisation status, should be therefore announced to the LEAR, who ensures the communication of such changes to the EC.

<sup>38</sup> <http://ec.europa.eu/research/participants/portal/appmanager/participants/portal>

BOX 3.13.:

#### **CZECH EXPERIENCE WITH VALIDATION**

Concerning experience with the validation process, **almost two-thirds of Czech participants have not encountered any major problems**. The remaining one-third of Czech participants consider the length of the validation process to be too long or problematic, with time-consuming communications with the EC Central Validation Team (EC CVT) [TC Survey, 2010].

In particular, participants mostly complain about incorrectly stored data in the URF, mainly mistakes concerning organisations' names. Most complaints are concerned with the fact that the data have not been corrected in the URF after repeated demands from participants to the EC CVT, or the correction itself took too long. It is also not rare that corrections made by an organisation's LEAR itself were not transmitted to the URF, so that subsequent lengthy communication towards the EC CVT was necessary. Some participants also report bad experiences with the transfer of organisations' data to the URF, resulting in registered participants, already in possession of a PIC, having had to fill in data separately for each subsequent project until the data were corrected by the EC CVT.

The majority of participants say that problems with the URF and the validation process have been subsiding recently, probably due to a **number of improvements made to the URF by the EC**. Some participants mention that the validation process was difficult due to internal problems, such as bad communication with an organisation's LEAR, or little experience with the validation process itself.

### **3.5.3 Signature of agreements**

As soon as the negotiations and validation are successfully accomplished, the **Grant Agreement** can be signed. The GA is signed by the coordinator (the authorised representative of the coordinator) and the EC. The GA enters into force on the day of its signature by the EC. Other partners in the consortium (beneficiaries) accede to the GA by signing the Annex of the GA called Form A. It is important to realise that the **start date of the project, from which project costs can be incurred, can be different from the date of the GA signature**. The start of the project is determined in the relevant part of the GA, and it is usually the first day of the month following the entry into force of the GA, or a specific fixed date as negotiated (which can even be a date **before the signature** of the GA).

Alongside the GA, the **Consortium Agreement (CA)**, providing the legal basis for the internal relationship and responsibilities among the beneficiaries, is usually prepared and signed. The CA is mandatory for all projects unless specifically excluded by the terms of the call for proposals. This agreement should be prepared and signed, ideally, before the signature of the GA or before the start of the project. However, in reality, this agreement is often signed after the signature of the GA.

BOX 3.14.:

#### **CZECH EXPERIENCE WITH AGREEMENT PREPARATION AND SIGNATURE TIMING**

Figure 3.8 shows the timing of CA preparation and signature in relation to the GA signature and project start.

Regarding the preparation of the CA: while the majority of Czech participants claimed that the **CA was prepared (not signed) before the signature of the GA**, for almost 25% of Czech participants the CA was prepared after the commencement of the project. Considering the matters that are covered by the CA, this practice cannot be welcomed. Partnering

without proper agreed provisions poses a threat for any of the project participants.

Although in general the **CA is signed** before the GA, half of Czech participants **signed in the reverse order: firstly the GA was signed and then the CA**. Nevertheless, no difficulties were referred to as arising from this practice.

A comparison of the figures reveals that it is not exceptional that **the project starts before the GA is signed**. This practice has also been confirmed as usual by participant statistics in E-Corda showing that more than half of the projects started before the GA was signed [E-Corda, 10/2010]. It is important that the date of the start of the project, and not the GA signature, is indicative for the eligibility for incurring costs.

It is obvious that the draft of the CA is usually prepared by the coordinator. Czech participants report the first draft as being of good quality in half of the cases. The time given to comment on the CA draft is mostly reported to be sufficient in the case of Czech experiences. With regard to CA preparation in the CZ, one alarming fact revealed was that one-third of Czech beneficiaries do not comment on the CA at all [TC Survey, 2010]. Considering other results of the survey concerning IPR issues, it can be concluded that in general Czech participants underestimate legal matters or, as confirmed by several comments, their organisations do not have the appropriate human resource capacity at their disposal to deal with them.



Figure 3.8 – Preparation and signature of the CA, Source: TC Survey, 2010.

## 3.6 PROJECT IMPLEMENTATION AND REPORTING

After the project starts, researchers begin to fulfil the research objectives. These RTD activities inevitably connect with the project's administrative management within the participant's institution and involve communication with other beneficiaries. Moreover, the coordinator also has to communicate with the EC on behalf of the whole consortium and report periodically on the project's implementation. The section below will focus primarily on issues of changes in the project, management of project implementation and communication, and the project's administrative burden and its impact on participating institutions.

**i** For more information about the topics below, see the following EC guidance document(s), which can be found on CORDIS:

- Model Grant Agreements
- Checklist for the Consortium Agreements
- Amendment Guide for FP7 Grant Agreement
- Guidance Notes on Project Reporting

### 3.6.1 Achieving project objectives and changes in the project

Formally, implementation of the project follows the **objectives** as identified in the project plan (Annex I of the GA). Work on projects under FP7 SP Cooperation and Capacities is divided into **work packages** that represent different types of activities (research, demonstration, cooperation, coordination, management or other). Each work package should produce one or more verifiable outputs (**deliverables**) represented by distinct documents/reports (e.g. workshop report, report on the performance of prototype, etc.). An indicative time schedule for achieving the deliverables of each work package is presented in Annex I. The progress of the project is monitored by defined control points (**milestones**), which can be represented by a meeting, a demonstration of software, or a report on an important occasion, etc. An indicative schedule is also given in Annex I.

Even though the implementation plan is a part of the GA, the actual project activities often have to be modified according to the progress of the project, thus the timing of the project activities can differ from the indicative plan. Therefore the EC allows, provided the GA requirements are fulfilled, certain **changes to the project**. These changes are quite frequent during project implementation. While some of these changes may not be subject to EC notification, in some cases formal notification to an EC project officer about suggested project changes is compulsory and approval is needed. This process is called a **GA amendment** and is required in a number of cases, such as a change of subcontracts, partners leaving or entering a consortium, change of coordinator, reporting period, or prolongation of a project.

BOX 3.15.:

#### **CZECH EXPERIENCE WITH FORMAL AMENDMENTS TO GRANT AGREEMENTS**

In the CZ, **formal amendments** that need to be communicated to the EC and approved are experienced **in only approximately 20% of** Czech participant **cases**. In more than half of these cases, it is a change of consortium partner during the project implementation that is the reason for the amendment. Other amendments, for Czech participants, are rather rare [TC Survey, 2010].

Changes that do not need to be formally communicated to the EC project officer, i.e. **where the GA does not need to be formally amended**, are very common as well. The most common changes are budget transfers (between cost categories, partners or activities) and deviations between actual and planned person-months (providing no significant change in Annex I occurs).

Running a project may also be affected by other types of changes which do not result from the FP7 project itself, such as a change of name, legal details, or accounting system of a participating organisation. In this case, no official amendment is necessary; however, new data, supported by all relevant legal documents, must be uploaded by the LEAR of the beneficiary to the EC central database URF.

BOX 3.16.:

#### **CZECH EXPERIENCE WITH CHANGES NOT REQUIRING A GA AMENDMENT**

Changes in projects that **do not require a formal amendment** of the GA are experienced in the CZ quite often (**by more than 25% of Czech participants**). The most common change

is a budget transfer between cost categories, reported by almost 70% of Czech participants experiencing such informal changes. Redistribution of project tasks between project partners and changes in originally planned person-months are experienced in approximately 40% of cases. These numbers lead to the conclusion that the implementation of an FP7 project is quite flexible and reflects the nature of research. This fact is much welcomed by Czech researchers and project administrators.

Czech participants have a different perception of the situation concerning the **changes in the legal status** of the beneficiary, which need to be implemented via the LEAR in the URF. It is, as described above, mostly **considered a demanding and lengthy procedure**. However, recently fewer problems have been reported here, due to the improvement of online tools provided by the EC and more relevant knowledge and experience gained by individual participants [TC Survey, 2010].

### 3.6.2 Project management and communication

Even though projects are carried out jointly by all beneficiaries in the consortium (i.e. technical collective responsibility exists), project management lies mainly in the hands of the coordinator. The coordinator is responsible for both the internal and external management of the project. Good governance and effective communication between partners is essential for smart project management.

#### 3.6.2.1 Internal management and communication between partners

**Internal management of relationships between project partners and communication inside the consortium** is formally based mainly on provisions set out in the CA, which include, for example, the governance structure, decision-making mechanisms, ways of communication among beneficiaries, project meetings, internal reporting and distribution of the EU financial contribution, and handling of IPR issues.

The structure of governance depends on the size of the consortium, i.e. the number of beneficiaries. It can comprise bodies representing all beneficiaries (e.g. general assembly/steering committee/governing board responsible for ultimate decision-making), work package leaders (responsible for coordinating scientific work inside the work packages) or other specialised bodies (e.g. executive committees, scientific advisory board, IPR committee).

For communication between partners, usually e-mails, specialised internal IT tools, web-conferences, project meetings and internal reporting are used. Internal reporting provides the coordinator with better control over the project, potentially detecting problems in their early stages, and ensuring smooth project implementation.

BOX 3.17.:

#### **CZECH EXPERIENCE WITH PROJECT MEETINGS AND REPORTING TO COORDINATORS**

Based on the Czech experience, shown in Figure 3.9, **half of all project meetings between partners are held at 6-month intervals**. In about 20% of cases, participants meet more frequently [TC Survey, 2010]. It seems that this periodicity is the best reflection of partner needs and confirms personal face-to-face contact as an irreplaceable and important instrument for communication. However, it is obvious that in the CZ parallel communication between partners via e-mail, phone, or teleconferences takes place more frequently, even

on a daily basis. Logically, more active communication, including personal meetings, happens between work package leaders and between participants working on the same work package.

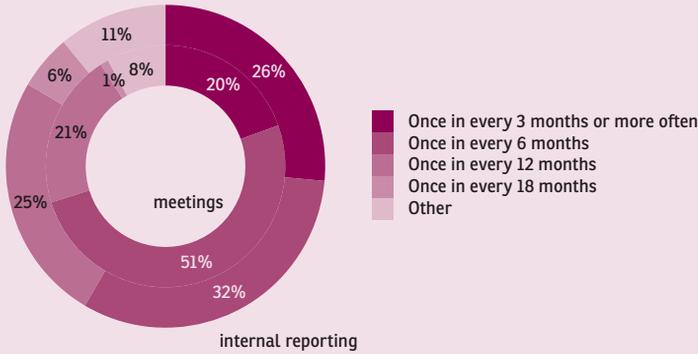


Figure 3.9 – Frequency of personal meetings between all partners, and required internal reporting required by the coordinator – experience of Czech FP7 participants. Source: TC Survey, 2010.

Concerning **internal reporting** to the coordinator (i.e. mediated/distant communication), Czech experience shows that it is slightly more frequent than project meetings (i.e. face-to-face communication). Almost one-third of Czech participants are used to report tri-monthly, while annual reporting is not exceptional [TC Survey, 2010]. The coordinator mostly requests reporting on tasks fulfilled or deliverable production and less about person-months or budget expenditures (see Figure 3.10). In 40% of cases, the information about published articles has to be included in the reports [TC Survey, 2010].

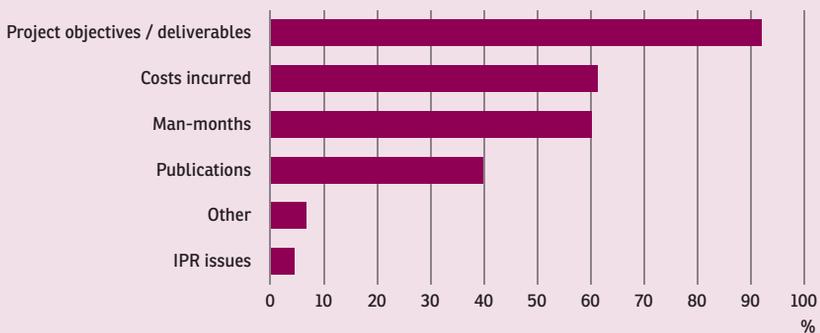


Figure 3.10 – Topics for internal reporting. Source: TC Survey, 2010.

### 3.6.2.2 External management and reporting to the EC

**External management** focuses mainly on the **relationship with the EC** and communication between the consortium (represented by the coordinator) and the EC. It is based mainly on the provisions set forth in the GA, and the coordinator provides all information to the EC and ensures the liaison between the consortium and the EC.

BOX 3.18.:

#### **CZECH EXPERIENCE CONCERNING COMMUNICATION WITH THE EC**

Czech participants that do have experience with **communication with the EC** give evidence that, in the majority of cases, the communication is **unproblematic**, with difficulties cited in only a few cases: e.g. a project officer change was regarded as problematic [TC Survey, 2010].

In addition, the coordinator is responsible for **submission of all deliverables and periodic reports** as well as a **final report** to the EC. According to the reports (except for the first payment), the coordinator receives all payments from the EC and distributes them appropriately among the consortium.

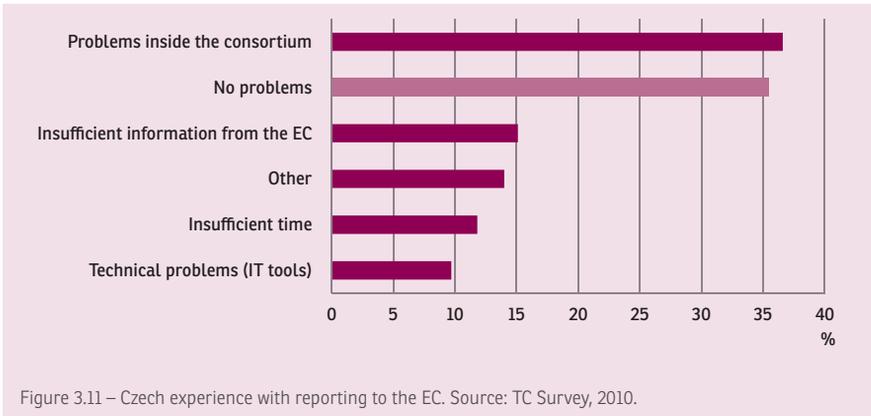
A **periodic report** comprises an overview of the work's progress, explanation of the use of resources, and financial statements of all beneficiaries (so-called Form C). In addition, the **final report** includes a final publishable summary report and a plan for the use and dissemination of foreground. The EC questionnaire on the wider societal implications of the project also has to be filled in by the consortium. Whole reports have to be submitted within 60 days after the end of each reporting period. Besides regular reports, the coordinator is also obliged to submit to the EC information on any scientific publications dealing with project results together with a copy of that publication within 2 months of the publishing date. In SP People an additional mid-term report on the first half of the first period (project) must usually also be submitted.

BOX 3.19.:

#### **CZECH EXPERIENCE WITH PERIODIC AND FINAL REPORTING TO THE EC**

Czech experience with reporting can be seen in Figure 3.11. Basically **reporting is not regarded as problematic**. This may, among other things, reflect the fact that in most cases Czech participants do not act in FP7 projects as coordinators, and therefore do not have the main responsibility for drafting the report on project activities and communicating with the EC and other participants.

When there are problems, Czech participants most frequently cite problems inside the consortium, which could cover, for instance, not keeping internal deadlines, insufficient time, not enough clear requests from the coordinator, disputes over financial rules between the partner and coordinator, or sometimes with obtaining data from their own organisations. From the experience of Czech participants, there is insufficient information from the EC (received directly or forwarded by the coordinator). Regarding technical issues, the main problem is with the lack of simple instructions for navigation with the IT tools used for reporting. The continuing process of introducing electronic tools for the submission of reports (as described below) is a significant simplification for FP7. However, this transition period seems demanding for many Czech participants. In the CZ, there are also evident problems with the identification of persons authorised to sign Form C, due to unclear rules and the different requirements of different EC project officers [TC Survey, 2010].



After the report's submission, the EC evaluates and approves the report and disburses the corresponding payments to the bank account of the coordinator within 105 days of the report's acceptance. Afterwards, how quickly the money is redistributed to other beneficiaries depends on the coordinator: Thirty days after the receipt of the final payment, a report on the distribution of the EU financial contribution between beneficiaries has to be submitted by the coordinator to the EC. In the case of poor performance of beneficiaries, the EC can reject reports and deliverables, and start the procedure for termination of the GA or suspend the payment and request further clarification. However, termination of the GA is rarely enacted.

BOX 3.20.:

**CZECH EXPERIENCE CONCERNING EC APPROVAL OF REPORTS**

As can be seen in Figure 3.12, usually **not many problems are reported** by the Czech participants concerning EC approval of the report, and only in rare cases are payments from the side of the EC delayed [TC Survey, 2010].

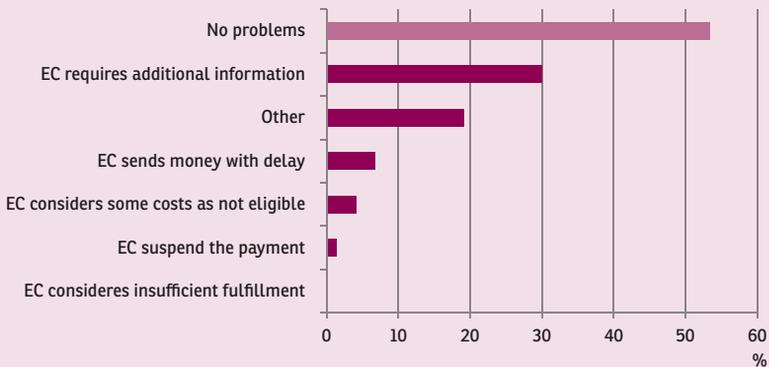


Figure 3.12 – Czech experience with approval of the reports from the EC. Source: TC Survey, 2010.

In the majority of cases, all parts of the periodic and final reports (i.e. scientific/technical and financial parts) have to be submitted to the EC electronically via

the **Participant Portal (PP)**.<sup>39</sup> Some participants may remember communication regarding these issues occurring via e-mail and electronic exchanges of financial statements in Excel spreadsheets. This has been overcome by the introduction of the PP, which merges these functions. Currently, special **IT tool systems** for submitting via the PP, with slightly different technical details for submitting reports, are used by the various EC Directorates General. However, all special IT tool systems have been integrated within the PP, and user-friendliness for FP7 participants should be ensured.

In addition to reporting via PP, selected paper forms, including signatures, also have to be sent in parallel by post. This concerns three forms: the self-declaration signed by the representative of the coordinator, financial statements (Form C) signed by authorised representatives of the beneficiaries, as identified by internal rules of the organisation, and in the case of an audit the Certificates on Financial Statements signed by the auditor.

BOX 3.21.:

#### **INTRODUCTION OF THE PARTICIPANT PORTAL AND CZECH OBSERVATIONS**

In FP7, a growing number of interactions between beneficiaries and the EC in the management of proposals and grants are made via the PP. The portal is going to become a single platform for all project-related exchanges. Currently, the services for legal entity registration, grant negotiation, amendments, and financial and scientific reporting are already accessible via the portal [Negotiation Guidance Notes, 10/2010].

Introduction of such a heavy-duty system with numerous functions by the EC is a demanding and lengthy procedure. Since the beginning of FP7, the PP has been gradually implemented and introduced into practice. As the EC has continuously upgraded the system, participants have had to adapt to each new development during the subsequent reporting periods, negotiations, and registrations. This has proved very confusing for many Czech participants. Attention is paid to this issue even in the Czech Position Paper in the EC document COM (2010) 187, 'Simplifying the Implementation of the Research Framework Programmes', which states: *'The CZ believes that it is vital to ensure maximum stability of rules during the implementation of one FP. **Frequent changes**, new interpretation of rules and constantly changing guidance, requirements and **on-line systems confuse the participants.***' [Czech Position Paper on Simplification, 12/2010].

### **3.6.3 FP7 projects' impacts on organisation in terms of management**

Performing a project under FP7 has, undoubtedly, an impact on institutions in terms of management. In particular, administration of the projects is a challenge within most grants. Project administration affects organisation, and sometimes it leads to organisational changes. Administration and other impacts can also influence whether the participant is willing to re-participate.

BOX 3.22.:

#### **THE ADMINISTRATIVE BURDEN AS REFLECTED BY CZECH PARTICIPANTS**

**Comparing the administrative burden brought by FP7 projects with national RTD programmes, Czech participants admit a **higher level of burden within FP7 projects in half****

39 <http://ec.europa.eu/research/participants/portal/appmanager/participants/portal>

**of all cases** [TC Survey, 2010]. However, this fact may be influenced by the enduring experiences of Czech participants with the traditional national RTD programmes, compared to the relatively new occurrence of FP projects in the CZ. Moreover, national projects are more aligned to national legislation, and therefore large institutions, over time, naturally adopt such internal management practices to conform to the programme rules. Only 20% of Czech participants consider the administrative burden to be at the same level as in the national support projects. Around 13% think it even lower. Out of the half of participants which saw a higher level of administrative burden in FP7, most were participants from large enterprises. Within the higher education sector and research organisations, more than two-thirds of participants expressed the conviction that the administrative burden is the same or higher. However, structural funds, largely used in the CZ in recent years, are deemed to be even more administratively difficult than FP7 projects [TC Survey, 2010]. The reasons behind this can be seen in the effort to combine both the EU and national requirements.

The administrative burden of FP7 may partially derive from the international character of projects. The handling of administrative matters in English could be seen as one of the major obstacles. Furthermore, the burden relates to financial and budget management matters, which are affected by the necessity to convert from EUR to CZK, VAT ineligibility, eligibility of certain costs, demanding audits, the recording of personal costs and activities (time-sheets), and accounting for the project's period and not in relation to the current year. While FP7 reporting is generally perceived as burdensome for its detailed requirements, participants allege that the periodic in-depth reporting contributes to effective management of project (e.g. compilation of the final report) [TC Survey, 2010].

Most often the administration is handled in cooperation with researchers and the standard administrative apparatus of the organisation (e.g. research support office, finance department, human resources department, etc.). However, **in many cases (44%), researchers solve administrative matters by themselves** (with the exception of accountancy). But experience shows that this is slowly evolving more towards more cooperative management by organisational administrative departments. Some problematic cases occur when capacities for the administrative tasks are underestimated in the proposal, and there is a lack of own capacities. Administration particularly affects small companies where specialised staff often cannot be hired [TC Survey, 2010].

Participation in and administration of an FP7 project has several **organisational impacts**. Besides the obvious possible benefits (such as networking, improvement of the knowledge base, financial effect), the retaining of staff members can be affected by an FP7 project. For effective fulfilment of research goals, as well as dutiful administrative management, the organisation's teams usually have to be strengthened. This could be regarded as a positive impact, which may improve the institutions research potential. Further impacts can be explored, e.g. the influence of FP7 on an organisation's rules or even a change to the structure of an organisation. Impacts can be one of the reasons why many participants are willing to participate in FP7.

BOX 3.23.:

### IMPACT OF FP7 PROJECT ON CZECH ORGANISATIONS

**The impact**, as described above, **of FP7 projects on Czech organisations** can be seen in Figure 3.13.

Regarding the impact on human resources, 35% of Czech participants hired new research staff. Moreover, 14% of Czech participants responded that new administrative staff were hired. Regarding organisational changes, pursuing an FP7 project influenced the **institutional rules** for 20% of participants. Furthermore, in 14% of cases, it led to a change of organisational structure (e.g. establishing a project management office). Even revisions of process management and improvement of efficiency were observed [TC Survey, 2010]. The change of institutional rules may include the introduction of a full-cost method for cost reporting and/or time-sheets. These two changes could have a particularly large impact on organisations.

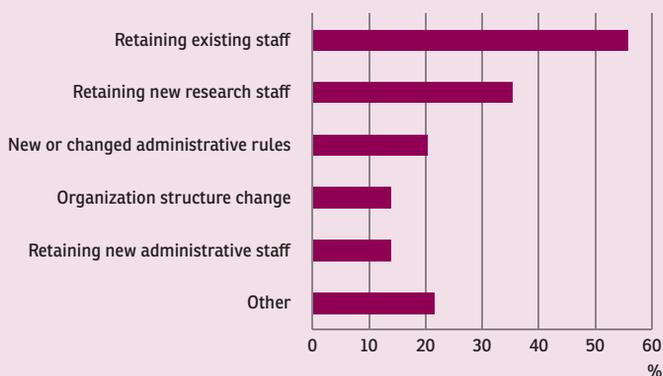


Figure 3.13 – Impact of FP7 on institutions. Source: TC Survey, 2010.

Although the administrative burden and other management problems with FP projects are observed, the majority, **almost 80% of Czech participants, wish to take part in further FP projects**. Nevertheless, more managerial support would be needed at their institutions, especially in the case of participation as coordinators. Only less than 3% of Czech participants do not want to participate in further FP projects. While this percentage consists mostly of SMEs, almost 75% of SMEs want to participate in FP projects again [TC Survey, 2010].

## 3.7 PROJECT END AND AUDIT ISSUES

As mentioned in the chapter above, the final report is the main component of the project completion phase. However, there are usually **other administrative, financial or scientific activities also carried out** by beneficiaries, which **contribute to a project's successful conclusion**.

Firstly, a **financial or technical audit (review)** may be performed by the EC. These audits can be carried out within **five years after the conclusion of a project**. During this period, all relevant scientific, technical and financial documentation

about the project should be properly archived. It has to be noted that whereas the financial documents have to be retained as per usual accounting practice, other project documents (including, e.g., communication with the EC project officer or supporting Excel sheets) are often not deemed worth archiving. It is important also to ensure that these documents are readily available for audit purposes (regardless of employee attrition). For more details and experiences with financial audits and sanctions, see Chapter 5.4.2.2.

Secondly, the use and dissemination of project results has to be managed. This could be: **publication of the results, obtaining of IPR protection, technology transfer, bringing the project results to market, or financial/technical audit (review)** performed by the EC.

**i** For more information about the topics below, see the following EC guidance document(s):

- Certificates Issued by External Auditors – Guidance Notes for Beneficiaries and Auditors
- Guidance Notes on Project Technical Review

BOX 3.24.:

#### **ACTIVITIES OF CZECH PARTICIPANTS AFTER THE CONCLUSION OF A PROJECT**

Currently, only about 5% of FP7 projects with Czech participation have been concluded [E-Corda, 10/2010]. Therefore, at this stage it is difficult to discuss Czech experiences regarding activities occurring after the submission of the final report. Nevertheless, some experiences can already be reported. Regarding the management of results, the prevailing practice is to publish **outputs** (50% of cases). This is particularly typical in the higher education sector (universities). Conversely, technology transfers or taking results to the market are rather rare occurrences. This may reflect the nature of FP7 project results, which are not usually sufficiently developed to be taken to market directly after the conclusion of a project. Czech participants instead try to obtain IPR protection of project results (in 15% of cases) [TC Survey, 2010].

Concerning Czech experience with **audits**, so far only a small number of Czech beneficiaries have experienced technical or financial audits. The majority of Czech participants who experienced audits agreed that the toughest aspect was the process of preparation and handling of the requested materials for submission to auditors [TC survey, 2010]. For more on experiences with financial audits, see Chapter 5.4.2.2.

## **3.8 CONCLUSION**

Proper management of an FP7 project throughout its life-cycle undoubtedly requires in-depth knowledge of FP7 rules. This chapter explored the process step-by-step, starting with the preparation of a proposal through to the impact of FP7 projects on organisations, while demonstrating the practical experiences of Czech participants.

The first part of the life-cycle, the **proposal preparation and submission phase**, is a demanding and long-lasting process. The main challenges are to build a consortium and then manage the process of developing a proposal with all the partners. Even though there are several IT tools that can help with the search for partners,

according to Czech participants **existing personal and institutional contacts are mostly** utilised when building a consortium. These partnerships are ones that were often established during previous FPs. Therefore, it could be concluded that FPs have a **strong re-participation pattern**. Attending scholarly events may be also beneficial for finding a partner or a project. These include, for example, the information events organised in the context of FP7.

Preparing an FP7 proposal may be demanding due to the fact that partners come from different countries with different geographical locations, different RTDI environments, and different existing management and accounting practices. This results in increased time requirements and the need for additional financial resources for the project proposal preparation phase, as confirmed by Czech participants.

Drawing up a project proposal, including both the scientific and administrative parts, requires, inter alia, good knowledge of financial and IPR rules. In larger organisations, the help of research support departments is usually exploited and welcomed. However, Czech participants would **welcome even stronger internal support, particularly for IPR issues**, which tend to be largely underestimated. The need to pay closer attention to these issues is growing, especially as a result of the international and inter-sectoral collaboration demanded by the specific nature of FP7.

Apart from IPR, financial, and administrative issues, a **well-structured and clearly written proposal** is important. However self-evident this may seem, evaluators still find many proposals to be of poor quality in terms of a clear description of the intended research and a well-structured idea. In view of the limited time the expert evaluators spend on every proposal, it can be concluded that this formal side could sink a proposal even if it contained an excellent scientific idea.

Once a proposal is submitted, the **evaluation phase** begins. The proposals that pass the eligibility check and are thus found to be formally correct proceed to **external expert evaluation**. External experts are selected from the EC database, in which anybody can register. Expert evaluators that have already been involved in this process are gender imbalanced and there is a lack of adequate industrial sector representation among them in the ranks of Czech evaluators. This confirms that research is one of the traditionally gender-imbalanced sectors, and that it is difficult to attract expert evaluators from the industrial sector to be involved in the process as evaluators. Feedback from evaluators to applicants is provided by way of the **Evaluation Summary Reports**. The reports indicate which matters could be improved and thus may be of good use for future proposal preparations.

The following phase, **project negotiation resulting in official project commencement**, begins with an invitation extended by the EC to the coordinators of successfully evaluated and selected projects. The aim of the negotiation is to agree with the EC on research goals as well as financial and legal matters. During this process, the proposal can be adjusted in any of its parts. These adjustments happen very often, but, according to Czech experiences, the changes are not perceived as significant. On the other hand, it should be mentioned that in several cases significant changes were experienced; e.g., a change to the structure of a consortium or a change to the research activities themselves. The negotiation is a long process, which can last several months. This related process of validation can make it even

longer. Although validation seems administratively and technically complicated, it is not deemed problematic according to Czech participants. As reported by Czech beneficiaries, more problems arise when it comes to proper CA preparation, the importance of which is still underestimated.

**The signing of the GA and the CA** accompanies the **start of the project**. The order, in which the agreements are signed and the date of the project start within FP7 differ almost from project to project. The expected order – signing the CA, followed by signing the GA, and then the start of the project – is not the most frequently experienced pattern. Projects often start even before the GA or CA are signed. These situations may be inconvenient and cause a certain amount of uncertainty for beneficiaries (and their management). Any improvement in this regard, on the side of participants or the EC, could prevent uncertainty and potential future problems.

**Project implementation** itself aims at achieving planned objectives. This phase involves reporting, which monitors the process of project fulfilment, the usage of person-months, and cost spending. Although an implementation plan is a part of the GA, project activities deviate from this plan very often, as Czech experiences confirm. This flexibility of FP7 reflects the nature of research and is thus welcome.

Nonetheless, this variance of research activities is to be discussed with the EC. The communication involved is reflected positively upon by Czech participants. This positive view also holds true for the communication with the EC during reporting. However, reporting is considered as one of the administrative headaches of FP7 management identified by Czech beneficiaries, often due to the use of different IT tools for reporting. Still, it is not perceived as a really problematic issue.

**After the official conclusion of a project**, it is obvious that at least the final report has to be submitted (including financial reporting). Apart from that and potential audits, activities oriented at the utilisation and dissemination of project results are performed. Although only a very small number of FP7 projects have been finished so far, it seems that the publication of output is the first activity the participants commit to. Results are also used in other ways, and the need to manage intellectual property protection is acknowledged.

Generally, FP7 project preparation and implementation is inevitably connected with increased demands on research and administrative staff, and the beneficiaries' organisations are influenced accordingly. The Czech beneficiaries perceive the administrative burden in FP7 projects as higher than in other RTDI projects; however, the difference is not significant. Projects tend to have a positive impact on organisations, beyond the angles of science or competitiveness, because they help to retain staff, both existing and new. FP7 projects also result, according to Czech experiences, in organisational changes manifested by modifications of institutional rules (concerning, e.g., the development of full costing methodologies) or changes in organisation structure.



# 4



## FP7 Intellectual property rights



## 4. FP7 Intellectual property rights



Jana Vaňová

### 4.1 INTRODUCTION

Awareness of intellectual property,<sup>40</sup> as well as FP7 IP rules,<sup>41</sup> is crucial for several reasons related to project management. Firstly, agreement on IP issues among participants in the pre-project phase is important in order to create an aligned consortium that will be able to properly implement and manage FP7 project with regard to IP and ultimately fulfil the research objectives. During the project phase, participants should keep in mind that there are FP7 IP rules that may limit the way they wish to use IP and the information that they are bringing to an FP7 project as well as the information that results from the project. Lastly, participants should bear in mind that FP7 IP rules may also affect the post-project phase since some rights and obligations related to FP7 IP rules survive beyond the FP7 project's end.

Existence of FP7 IP rules is justified by an obvious will to protect participants and encourage them to enter FP7 projects by giving them some advantages arising out of the FP7 IP rules. Since FP7 IP rules are not rigid but rather of a flexible nature, the situation may become even more complicated by giving participants freedom to modify some FP7 IP rules in their private agreements. Nonetheless, there should always be a need to find a balance between the amount of obligatory rules and the flexibility required by the particulars of each project.

The aim of this chapter is to give a picture of FP7 IP rules in relation to how these are implemented and experienced by Czech participants. Therefore, the following part of this chapter deals with the FP7 legal basis relevant to FP7 IP issues as well as non-binding documents and other sources of information used for raising awareness of FP7 IP issues among Czech participants. The next part of this chapter focuses on FP7 IP rules themselves, especially those which are widely discussed among and the most problematic for Czech participants. The last part discusses the life-cycle of an FP7 project with regard to IP issues, as experienced by Czech participants. Attention is paid to SP Cooperation. Other FP7 specific programmes will not be covered in this chapter.

This chapter describes FP7 IP rules from the perspective of Czech beneficiaries and experience of Czech L&F NCP. Where relevant, Czech legislation in relation to

40 For the purpose of this chapter, 'intellectual property' refers to intangible assets resulting from mainly intellectual activity of an individual, regardless of whether the assets are protected under the law or not.

41 The term 'FP7 IP rules' used throughout this chapter refers to rules on intellectual property as set forth in the Rules for Participation and Grant Agreement (see Chapter 4.2.1).

FP7 IP rules is discussed. Statistics used in this chapter are based on a survey carried out by the TC ASCR [TC Survey, 2010].

## 4.2 SOURCES OF INFORMATION

With reference to Chapter 2, which describes the legal base for FP7 as an instrument of European research policy, this chapter will focus solely on:

- legally binding documents relevant to FP7 IP issues;
- non-binding documents represented by various guidance documents;
- other relevant sources of information on FP7 IP rules useful for Czech participants.

### 4.2.1 Legally binding documents relevant to FP7 IP issues

FP7 IP rules are governed primarily by several legally binding documents, see the information box below.

**i** *Legally binding documents describing FP7 IP rules:*

- **Rules for Participation (RfP)** [RfP, 2006].
- IP issues are dealt with in Chapter III of the RfP titled Dissemination, Use and Access Rights. Chapter III consists of Articles 39 to 51 and is divided into Subsection 1 discussing Foreground and Subsection 2 discussing Access Rights to Foreground and Background.
- The Rules for Participation, as outlined in the **Model Grant Agreement** ('MGA' or 'GA'), were created to serve as a basis for contractual relationships between the EU, here represented primarily by the EC, and consortia (coordinator and beneficiaries) on the other side. The MGA consists of a core text and several annexes, and occasionally special clauses are added to the core text, aiming to reflect the specific nature of a given project. The following parts of the MGA are relevant for FP7 IP issues:
- **Core Text** – FP7 IP issues are discussed here if special clauses dealing with FP7 IP rules are inserted into the Core Text
- **Annex I** – arrangements on IP issues are included in project proposals
- **Annex II** – deals with IP issues in Part C, titled Intellectual Property Rights, Use and Dissemination, which is divided into two sections reflecting the RfP's Chapter III (see above), i.e. Foreground (Section 1) and Access Rights (Section 2)
- **Annex III** – is not an obligatory part of every FP7 project, unlike Annex I and II. However, if Annex III is included, containing the specific features of a given FP7 project, it often contains FP7 IP rules complementary to the ones set forth in Annex II and takes precedence over Annex II.

The Model Grant Agreement, in its Core Text, defines precedence in case of a contradiction, i.e. between FP7 IP rules set forth in, for example, MGA Annex II and MGA Annex III. In such a case, the Core Text shall take precedence over the provisions of any MGA annexes. The provisions of Annex III shall take precedence over the provisions of Annex II, and both shall take precedence over the provisions of Annex I. Special Clauses, if inserted into the Core Text, shall take precedence over any provisions of the whole Grant Agreement.

The Rules for Participation, as well as the Model Grant Agreement, refer to private agreements concluded between participants called **Consortium Agreements** ('CA'). A Consortium Agreement shall be concluded between participants unless otherwise provided for in the call for proposals. A Consortium Agreement is another legally binding document which shall govern, inter alia, the following IP issues:

- Dissemination;
- Use;
- Access Rights.

Rules for Participation explicitly state that these IP issues, regulated in a CA, shall be additional to those in Chapter III of the RfP and the provisions in the MGA [RfP, 2006]. The above-mentioned RfP provision,<sup>42</sup> coupled with another RfP provision, states that participants shall make no commitments incompatible with the grant agreement [RfP, 2006]<sup>43</sup> and effectually means that IP provisions (and any other provisions) contained in a CA shall be in line with the MGA and the RfP and may only complement RfP and MGA provisions on IP rules.

#### 4.2.2 Non-binding documents represented by various guidance documents

Guidance documents relevant to FP7 IP issues include the English-language non-binding documents listed in the information box below.

**i** *Non-binding (guidance) documents describing FP7 IP rules:*

- **Guide to Intellectual Property Rules for FP7 projects** discussing IP rules contained in the Rules for Participation and the Model Grant Agreement, explaining these in more detail and focusing on all Specific Programmes of FP7 while paying attention mostly to SP Cooperation;
- **Guidance Notes on Project Reporting** dealing with periodic and final reports where IP issues are discussed, especially issues such as publication about foreground, the use and dissemination of foreground, publicly available and confidential information in relation to foreground, etc.;
- **Checklist for a Consortium Agreement** providing guidance on how to prepare CAs and especially detailed notes on what to be aware of when preparing CA provisions regarding IPR, dissemination and use. The Checklist for a Consortium Agreement in this section focuses on issues of ownership, transfer, protection, the use and dissemination of foreground as well as access rights to background and foreground;
- **Checklist for a Coordination Agreement** specifying examples of IP issues that shall be dealt with in a Coordination Agreement. These are, at least, ownership of foreground, protection of foreground and confidentiality, dissemination and access rights (user rights and licenses).

#### 4.2.3 Other relevant sources of information on FP7 IP rules useful for Czech participants

Besides the above-mentioned legally binding and non-binding English-language documents, there are a number of other Czech-language sources of information

<sup>42</sup> Article 24.1.c) RfP.

<sup>43</sup> Article 18.3 RfP.

related to FP7 IP rules which are useful for Czech participants. These sources of information may be divided into:

- relevant Czech publications dealing with FP7 IP issues;
- other sources – information from various kinds of workshops organised on FP7 IP rules and a Czech webpage<sup>44</sup> devoted to FP7 IP rules.

#### Relevant Czech publications dealing with FP7 IP aspects

The most important Czech publication explaining FP7 IP rules is a brochure issued at the end of 2009. **The brochure titled 'IP rules in FP7 projects'**<sup>45</sup> was issued by the Czech National Information Centre for European Research<sup>46</sup> (NICER) and prepared by the Czech L&F NCP that deals with IP and contractual issues in FP7. The brochure aims at approaching Czech participants by explaining FP7 IP rules in the Czech language. Moreover, the brochure provides Czech participants with a number of practical examples showing how FP7 IP rules may work in a real FP7 project with an explanation of IP in general.

**FP7 IP issues are also discussed in other publications** prepared by the TC ASCR such as articles published in journals devoted to the Czech research community and IP specialised publications (e.g. a recent publication on Intellectual Property Rights issued at the end of 2010<sup>47</sup>), etc.

There are number of other publications on IPR more or less related to FP7 issued by regional and branch contact organisations for FP7 supporting Czech participation in framework programmes.

#### Workshops and the Czech webpage on FP7 IP aspects

Since the beginning of 2009, there has been a tradition of **workshops on FP7 IP rules** organised by the TC ASCR within the NICER project, explaining these rules to the Czech research community, i.e. current Czech participants as well as anyone wishing to participate in FP7 in the future. The workshops take place throughout the CZ and are aimed at researchers, the administrative, managerial and legal staff of universities, public research institutions, small and medium-sized enterprises (SME), and large companies interested in FP7 IP rules. Present Czech L&F NCP experience shows that a number of researchers are themselves interested in FP7 IP rules as they are often the ones deciding how to regulate IP issues in their Consortium Agreements. This was also confirmed by the TC Survey where IP questions<sup>48</sup> were frequently answered by researchers; administrative staff, another group of respondents, usually skipped IP questions.

Besides the workshops described above, there has also been a demand from particular universities to educate their staff about FP7 IP issues in order to raise awareness and encourage them to participate and successfully implement FP7 projects

44 <http://www.fp7.cz/cz/vice-o-ipr-v-fp7>

45 In Czech *Práva k duševnímu vlastnictví v projektech 7.RP*.

46 Czech National Information Centre for European Research (abbreviated as 'NICER') based at the Technology Centre of Academy of Sciences of the Czech Republic (abbreviated as 'TC ASCR') is a national contact centre for FP7.

47 In Czech *Nehmotné statky a průmyslová práva* – see [http://www.tc.cz/dokums\\_raw/nehmotne-statky\\_1294241763.pdf](http://www.tc.cz/dokums_raw/nehmotne-statky_1294241763.pdf).

48 The term 'IP questions' means questions in the TC Survey dealing with particular aspects of FP7 IP rules.

with regard to IP issues. Therefore, **demand-oriented workshops** are being prepared and organised, tailored according to the needs of individual universities.

There are also **other kinds of workshops** organised by the TC ASCR within the NICER project **on areas where IP rules are relevant**, such as workshops on Reporting, Consortium Agreements, and various Information days in relation to calls for proposals being published, etc.

In 2009, the **Czech webpage on IP issues in FP7 projects** was established. This webpage aims at providing actual information about events and news related primarily to FP7 IP aspects. The webpage also contains a number of useful references to other relevant webpages and gathers various relevant documents and information materials.

Czech regional and branch contact organisations have also set up their own webpages providing information about FP7 in general as well as FP7 IP aspects. They also usually co-organise FP7 IP workshops with the TC ASCR.

## 4.3 FP7 IP RULES

There are six key aspects of FP7 IP provisions, which are discussed in the chapter below. These are: definition of background and foreground; access rights to background and foreground; ownership and joint ownership of foreground; protection of foreground; use of foreground; dissemination of foreground.

### 4.3.1 Definition of background and foreground

**Background** is defined as information held by beneficiaries prior to their accession to GA, as well as copyrights or other intellectual property rights pertaining to such information, the application for which has been filed before their accession to GA, and which is needed for carrying out the project or for using foreground [Guide to IPR, 2009]. This means that it is not only information or intellectual property rights that are possessed by participants but the category of background broadens to any information or intellectual property rights that are held by participants e.g. through licences. The definition of background further states that it is related only to information relevant to the project, i.e. information needed for specified purposes, which are project implementation and/or further use of the generated foreground. **Foreground** means the results, including information, materials and knowledge, generated in a given project, whether or not they can be protected [Guide to IPR, 2009]. Participants may generally request access only to the information and rights that are relevant, i.e. needed.

Participants are allowed to define the background needed for the purposes of the project in a written agreement and, where appropriate, may agree to exclude specific background [Guide to IPR, 2009]. This means that the GA gives participants the freedom to decide accurately which background will be available to each other by defining background and/or specifying which background is excluded from the obligation to grant access. By specifying what is needed for the project and/or use of generated foreground, participants define background available for access, i.e. participants define information and rights to which they may grant access rights under FP7 IP rules.

When defining background, participants may opt, for example, for a so-called positive list approach or negative list approach or a combination of both. There are, however, more possibilities when defining background. Some possibilities follow below:

- Positive list means clear and exact identification of background available for access by the other participants. Background listed in this way usually means that the background is listed on an attachment to the CA; the attachment is usually named as the background included. It is up to the participants to make proper arrangements and ensure that the background listed on positive lists will be sufficient enough for the execution of the project and/or further use of foreground. The possibility to further re-negotiate arrangements on background listed on positive list should be ensured between participants to avoid any problems in project implementation;
- Participants also have the possibility to use another approach and give access to most of a participant's background, while explicitly excluding some specific elements of its background from the obligation to grant access rights to other participants. This is usually done by way of an attachment to the CA entitled as the background excluded;
- Another possible variant is to grant access rights to the background in a much broader way, e.g. within one work package of a project, and to restrict this between different work packages.

To ensure legal certainty and transparency and allow better assessment of the benefits and burdens of launching the envisaged collaboration under the FP7 project, exclusions and definitions of background should be agreed on in writing by all participants. This should be done preferably before the GA is signed, for instance, in the consortium agreement or, if it concerns only certain participants, in a separate agreement between these participants. As mentioned above, not knowing the exact borders at the right time when discussing the background for a project (and possibly for further exploitation of foreground) may hamper collaboration.

BOX 4.1.:

#### **CZECH EXPERIENCE WITH CONSORTIUM AGREEMENTS' DRAFTING AND CONCLUDING INCLUDING DEFINITION OF BACKGROUND**

As for the real practice in CZ, TC Survey results show that 25% of Czech participants experience concluding a CA after signing the GA, i.e. **25% of Czech participants enter into collaboration without setting the proper and exact rules for information and IPR needed for the collaboration**. When dealing with IP issues in consortium agreements, Czech participants report that only approximately one-third of them really pay attention to and comment on IP issues in their CAs, and **one-third do not comment on CAs at all** [TC Survey, 2010]. Czech experience (Czech L&F NCP's) also shows that Czech participants sometimes have problems with **defining their background in a CA** while following FP7 IP rules. There are numerous possibilities when defining background. Definitions, usually chosen by coordinators when preparing draft CAs, sometimes lead to confusion. However, generally speaking, the shift towards more contractual freedom, when defining background, is definitely advantageous for those who are fully aware of FP7 IP rules and are thus able to make the most of it.

### 4.3.2 Access rights to background and foreground

In order to carry out collaboration, sharing and exchange of knowledge is often necessary. Participants exchange<sup>49</sup> their background, as well as foreground, primarily in order to perform the project itself. FP7 IP rules set forth minimal provisions regarding access rights,<sup>50</sup> stating that participants must grant access to each other's background and/or foreground under some financial and time conditions for some specific purposes.

These **specific purposes** are:

- project implementation;
- use purposes – use of foreground.

Participants, however, may, for example, in their consortium agreements, broaden purposes for which they will be obliged to grant access or otherwise modify. Nonetheless, they may not restrict or set aside the minimal regime of access rights.

BOX 4.2.:

#### **ACCESS RIGHTS TO BACKGROUND AND FOREGROUND AND CZECH EXPERIENCE**

Concerning the experience of Czech participants, **there seems to be no problem with understanding the regime of access rights and specific purposes for which access to background and foreground must be granted.** However, sometimes it happens that Czech participants think that the obligatory minimal regime of access rights granted between partners within a consortium binds them to collaborate even outside the particular FP7 project, i.e. to use own foreground only in cooperation with other partners in consortium [Czech L&F NCP's experience]. Therefore, there is a need for them to realise that they only need to keep possible access rights for project partners, in case they decide to use foreground alone or in cooperation with others (for example outside the consortium) or by licensing, etc., and also need to consider issues of exclusive licenses for foreground and background.

Concerning **financial conditions** for granting access rights, the FP7 IP rules state that:

- access rights to background for implementing the project will be granted on a royalty-free basis, unless otherwise agreed by all participants before acceding to or signing the GA;
- access rights to foreground for implementing the project must be granted on a royalty-free basis;
- access rights for usage purposes, for both background and foreground, may be granted either royalty-free, or on fair and reasonable conditions as agreed. Fair and reasonable financial conditions shall mean that some kind of monetary compensation must be provided to the owner of the foreground or background concerned. Such monetary compensation can, for example, take the form of a lump sum or a royalty-percentage (e.g. on sales, turnover, or net income) or a combination of both [Guide to IPR, 2009].

As for the **time conditions**, the FP7 IP rules (and the Guide to IPR) set forth the following:

49 For the purposes of this chapter 'exchange' means providing access to background and/or foreground between participants.

50 Access rights are rights acquired by licensing agreements and other user rights.

- access rights to background and foreground may be requested until the end of the project, even from a participant who left the project before its end;
- participants that remain in the project, up to its end, can request such access rights, and may be requested to grant such access rights (for use purposes), until 1 year after the end of the project, unless a different period is agreed.

BOX 4.3.:

#### **FINANCIAL AND TIME CONDITIONS OF ACCESS RIGHTS AND CZECH EXPERIENCE**

Czech participants sometimes encounter problems with setting appropriate financial provisions for granting e.g. access to background for project implementation purposes. Consortium agreement provisions on payment for access to background for project implementation purposes may often be too vague. Vague provisions can lead to unforeseen circumstances that arise later, causing confusion and leading to legal uncertainty. Moreover, it has happened that a participant tried to ask for a royalty payment for granting access to its background even though a royalty had not been agreed in the CA or anywhere else before concluding the GA, as the GA requires [Czech L&F NCP's experience].

Concerning **time conditions for granting access rights, Czech participants generally do not have problems** with this issue. With some exceptions a one-year period after the project end, in which access rights can be requested, is usually kept in CAs [Czech L&F NCP's experience].

BOX 4.4.:

#### **GRANTING ACCESS RIGHTS, LICENCE AGREEMENTS, AND CZECH EXPERIENCE**

Czech participants (as any other participants) need to realise that **granting access rights to background or foreground should be ideally performed in the form of a separate licence agreement**. The licence agreement has to take into account FP7 IP rules as well as governing law. When opting for Czech law as the governing law (this would be only rare in practice), it is necessary to realise that there are provisions on licence agreements in the Czech Commercial Code,<sup>51</sup> which needs to be taken into account. However, provisions on licence agreements in the Czech Commercial Code cover only subjects of industrial intellectual property, for example inventions. Therefore licence agreements on software, which belong to the category of copyright law, would be governed by the Czech Copyright Act.<sup>52</sup> Problems may arise when it comes to the licensing of intellectual property that belongs neither to the category of industrial intellectual property nor to that of copyright. In the case of know-how, so-called unreal licensing agreements may be entered into.<sup>53</sup>

### **4.3.3 Ownership and joint ownership of foreground**

In every FP7 project, it is necessary to first decide **who is the owner of foreground**, and who has the obligations listed below, i.e. the obligation to protect, use and disseminate foreground. FP7 IP rules state that foreground, resulting from the project, is owned by the participant generating it. As long as there is no problem with proving ownership, this rule is not problematic. However, a problem may arise when it comes to a beneficiary's employees, other of the beneficiary's personnel, or students

51 Act No. 513/1991 Coll., Commercial Code, as amended

52 Act No. 121/2000 Coll., as amended

53 Malý, J.: *Obchod nehmotnými statky: patenty, vynálezy, know-how, ochranné známky*. 1st. edition. Prague: C. H. Beck, 2002.

or subcontractors also entitled to claim rights to foreground. Beneficiaries should, therefore, bear in mind that being a beneficiary in an FP7 project is connected with a number of obligations, which include the obligation to grant access rights. In order to fulfil these obligations, beneficiaries should have appropriate rights to foreground.

BOX 4.5.:

#### **OWNERSHIP OF FOREGROUND IN THE CZECH LEGAL ENVIRONMENT**

The Czech L&F NCP's experience does not show any problems in this area with regard to FP7 projects. However, problems may arise when it comes to **employer-employee relationships**, which are not covered by the FP7 IP rules. To solve this issue, Czech participants are required to follow **relevant acts**<sup>54</sup> related to institutional ownership and employee rights, i.e. author/inventor. Generally speaking, the Czech legal system is based on institutional ownership, not professors' privilege. This means that, for example, according to Act No. 527/1990 Coll., on Inventions, as amended ('Act on Inventions'), *'where an inventor has made an invention as part of his tasks deriving from an employment relationship, by reason of the fact that he is a member of an organisation or of any other similar employment relationship, the right to the patent shall pass to the employer, unless otherwise laid down by contract. The right of inventorship as such shall remain unaffected.'* However, the Act on Inventions further stipulates that *'if the employer does not claim a right to invention within three months from the employee's notification of the invention, then the right to the invention reverts back to the inventor, i.e. employee.'*<sup>55</sup> In principle, the employee is the first owner of the invention (unless agreed otherwise), but the employer has a possibility, within a specified time, to claim his/her right to the invention. In connection to FP7 projects, Czech participants should be aware of this, since, as described above, if the employee becomes an owner of foreground, it may follow that a beneficiary, i.e. employer, may not be able to fulfil his/her obligations under the FP7 IP rules, such as the obligation to grant access to foreground to other partners in the consortium.

Another sensitive area are **student-university relationships** when, for example, a PhD student participates in FP7 project and creates results. According to the Czech Copyright Act,<sup>56</sup> the student is in an even better position than the employee concerning his/her rights to results created in FP7 projects.

However, the above is an issue of employee-employer relationship and student-university relationships which are not, and cannot be, governed by the FP7 IP rules. The FP7 rules generally state that each beneficiary has to be able to fulfil his/her contractual obligations arising from the GA.

Concerning **joint ownership**, the FP7 IP rules state that joint ownership arises (automatically, by default) in the following specific cases:

- in regular actions in respect of foreground generated jointly by two or more participants, where their respective share of the work cannot be ascertained; and
- in actions for the benefit of specific groups.

The first case is not experienced often by Czech participants as participants usually work at their own premises and do not create foreground in a way that shares of

54 For instance, Act No. 121/2000 Coll., as amended; Act No. 527/1990 Coll., as amended; Act No. 478/1992 Coll., as amended; Act No. 207/2000 Coll., as amended

55 Section 9(4) of the Act on Inventions.

56 Act No. 121/2000 Coll., as amended.

the work cannot be ascertained. The second case, typically that of research for the benefit of SMEs (SP Capacities), is where a group of SMEs becomes joint owners of foreground by default.

In the case where participants do not solve joint ownership in their contractual arrangements, a default regime applies. According to the default regime, each of the joint owners is entitled to grant non-exclusive licenses to third parties without requesting the authorisation of the other joint owners. The other joint owners must be given 45 days prior notice and are entitled to fair and reasonable compensation; however, they are not entitled to raise any objections [Guide to IPR, 2009].

#### 4.3.4 Protection of foreground

The obligation to protect foreground is one of the important obligations under the FP7 IP rules. The FP7 IP rules stipulate that **valuable foreground should be protected**, i.e. protection is not mandatory in all cases, and it is up to the participants to make a decision and be able to provide reasons for their decision not to protect the foreground. In some cases, even the EC may assume ownership of valuable foreground and seek protection of foreground. Nevertheless, assuming foreground's ownership by the EC happens very rarely in practice.

Since the decision (not) to protect foreground is merely left to participants, who are not actually obliged to discuss planned protection measures with other participants inside their consortium (although this is highly recommended), it is up to them to choose the best solution. Patent applications concerning foreground also need to contain specific sentences, or a translation in the description, referring to FP7 funding.<sup>57</sup>

BOX 4.6.:

#### **PROTECTION OF FOREGROUND AND CZECH EXPERIENCE**

Czech participants **do not experience any problems** with this issue in direct relation to FP7 projects [Czech L&F NCP's experience]. The process of obtaining protection, and the scope of the protection, etc., which is not generally easy, is left to participants and is not covered by the FP7 IP rules.

#### 4.3.5 Use of foreground

The FP7 IP rules state that participants should use the foreground which they own or ensure that it is used. In terms of the FP7 IP rules' definitions, **use** means:

- use for developing, creating and marketing a product or process, or for creating and providing a service, or
- direct or indirect utilisation of foreground in further research activities other than those covered by the project
  - direct utilisation – is performed directly by the participant owning the foreground;
  - indirect utilisation – is done by other parties (e.g. through licensing).

Concerning licensing, i.e. indirect utilisation, it is up to a participant to whom this participant licenses foreground. This means that it can be licensed to another

<sup>57</sup> 'The work leading to this invention has received funding from the European Union's Seventh Framework Programme (FP7/2007–2013) under grant agreement n° xxxxxx.'

project participant or to a party outside the FP7 project. A participant wishing to license his/her foreground should, however, follow the FP7 IP rules dealing especially with access rights.

BOX 4.7.:

#### **USE OF FOREGROUND AND CZECH EXPERIENCE**

Czech participants are **rather careful as to how they can utilise their own valuable foreground**, created in an FP7 project, **while following all the FP7 IP rules**. Sometimes they deal with issues related to use obligations, such as how to exploit foreground directly, i.e. on their own, and together with parties outside the consortium while following the FP7 IP rules; how to grant an exclusive licence while preserving access rights for other participants, since participants are obliged to keep access rights preserved for other participants, and therefore granting exclusive licence under some conditions may lead to a breach of the FP7 IP rules; or how to limit other project participants from requesting license to their background after the project ends, etc. [Czech L&F NCP's experience].

Most of the above issues may be covered, and to some extent modified, within contractual arrangements inside a consortium (e.g. CA), and therefore the solution is based more on a particular agreement than on the FP7 IP rules.

#### **4.3.6 Dissemination of foreground**

As stipulated in the Guide to IPR, each participant shall ensure that the **foreground they own is disseminated** as swiftly as possible. However, any dissemination (including publications or publishing on web-pages) should be delayed until a decision about the possible protection of the foreground has been made. This means that while there is an obligation for the owner to disseminate his/her foreground, this obligation should be preceded by the owner's decision on possible protection. Moreover, the issue of dissemination is related to confidentiality aspects. It is highly recommended to cover and specify dissemination as well as confidentiality issues in agreements within the consortium.

The FP7 IP rules stipulate that participants must be given at least 45 days prior notice in writing of any planned dissemination activity, together with sufficient information about the intended dissemination. Participants then have 30 days to object to such planned dissemination activity. Dissemination may not take place until objections are resolved. The deadlines set forth above may be modified in, for instance, a consortium agreement.

BOX 4.8.:

#### **CZECH EXPERIENCE WITH DISSEMINATION OF FOREGROUND**

However, the **FP7 IP rules do not set any deadline for resolving the issue of objections**, which would allow participants to disseminate foreground after the possible deadline would be over. Therefore, under the current rules no dissemination may be done before a solution to objections is found. Czech participants consider this issue problematic, since if this is not governed by e.g. a consortium agreement, the planned dissemination activity may be postponed for an indefinite period of time.

The FP7 IP rules also do not state explicitly that participants are not allowed to **publish about each other's foreground**. Therefore, there is space for consortium agreements to

also cover this issue in depth and bring some certainty to participants. Some Czech participants report that they encountered problems when another participant had published about their foreground, which hampered their plans to obtain protection and subsequent use and dissemination of the said foreground [Czech L&F NCP's experience].

## 4.4 IP ASPECTS RELATED TO AN FP7 PROJECT LIFE-CYCLE

### 4.4.1 Pre-project phase

As described above, agreeing on IP issues between participants in the pre-project phase is important in order to create a capable consortium, being able to properly implement and manage FP7 project, and reach research objectives. The first reason why adequate agreement on IP issues in this phase is important is that the pre-project phase is connected primarily with the FP7 project proposal preparation, when ideas about the future project are exchanged. The next being that preparing a project proposal in a way that all its parts are satisfactorily set and evaluators are to recommend the FP7 project proposal for funding based on its excellence.

Project proposals generally should, *inter alia*, also cover IP issues. In particular, IP issues should be described primarily in an FP7 project proposal's Part B, in the Impact section. There is a subsection dealing with dissemination and exploitation of project results and management of intellectual property (hereafter 'Part B 3.2').

Concerning Part B 3.2, the following IP issues should ideally be covered here:

- Dissemination of foreground – with reference to Chapter 4.3.6, where obligation to disseminate foreground was discussed, it is clear that dissemination means not only publication, but also other activities of the consortium related to the spreading of information about FP7 project results. Part B 3.2 should focus, for instance, on:
  - describing the plan for dissemination performed by both the consortium, as well as the participants individually;
  - stressing the target group to which information on foreground is planned to be disseminated, for example the public generally or only the scientific community;
  - the particular means through which information on foreground will be disseminated, i.e. through workshops, a project webpage, scientific articles, etc.;
  - the reasons for all planned steps regarding dissemination in relation to participants' main research activities.
- Exploitation of foreground – concerning the general obligations set forth for FP7 projects on the use of project results (see Chapter 4.3.5 above), participants should keep this in mind and pay particular attention to the planned use of foreground in their project proposal:
  - participants should stress, for example, utility, quality and/or quantity of planned project results with regard to their excellence and novelty;
  - consortia may refer to the abilities of their members to properly use planned foreground, and ideally describe the planned exploitation in their project

- proposals (for various possibilities of foreground usage see Chapter 4.3.5 above);
- it is possible to link the planned use of foreground to the consortium structure by creating a special body to deal with foreground exploitation;
  - if a draft of the consortium agreement already exists, Part B 3.2 may refer to the consortium agreement's provisions on the use of foreground, and thus show the consortium's deep interest in exploitation.
- Protection of foreground – first and foremost, participants should focus properly on the planned protection of project results in Part B 3.2:
    - consortia should make it clear that the use and dissemination of foreground will only follow after adequate and effective protection has been provided;
    - participants may show that they are aware of various suitable and adequate means of obtaining protection for their planned project results;
    - regarding the protection of foreground, it is possible to plan future agreements covering the consortium's arrangements on protection.
  - Ownership and Joint Ownership of Foreground – supposing joint ownership may arise during FP7 project, the consortium may discuss this issue in the project proposal and:
    - declare its wish to adopt a default regime or plans to conclude joint ownership agreements. Particular issues related to the joint ownership regime may be discussed, and possible future suggestions may be presented in the project proposal.
  - Confidentiality issues – it is recommended that confidential issues, related to the project proposal, be taken seriously into account, for example, by preparing a confidentiality agreement. It is possible to declare, in the project proposal, that the confidentiality agreement has been signed when the project proposal preparations began.

#### BOX 4.9.:

##### **IP ASPECTS OF PROJECT PROPOSAL PREPARATION AND CZECH EXPERIENCE**

Participants should keep in mind that this section's evaluation is equal to a project proposal's other parts. Unfortunately, **Czech participants do not often participate in the preparation of Part B 3.2**, and thus are not obviously very interested in this section. Typically, only 15% of Czech participants cooperate on the preparation of the section dealing with the management of IPR [TC Survey, 2010]. Just over one-third of Czech participants are usually involved in the preparation of the plan for the use and dissemination of foreground, and **only 25% of Czech participants are active in preparing and commenting on agreements, including the Confidentiality and Consortium Agreements where IP issues are also addressed**. Despite the fact that 60% of Czech participants are involved in the preparation of the research (S&T) part of project proposals, they deal with IP issues quite rarely, as can be seen in Figure 4.1 below [TC Survey, 2010]. It is possible to conclude that Czech participants care more about the research work as such than about the results of FP7 projects when considered from the perspective of project proposal preparation. The low involvement of Czech participants in the preparation of Part B 3.2 of project proposals is sometimes deemed to be the result of time pressure [TC Survey, 2010].

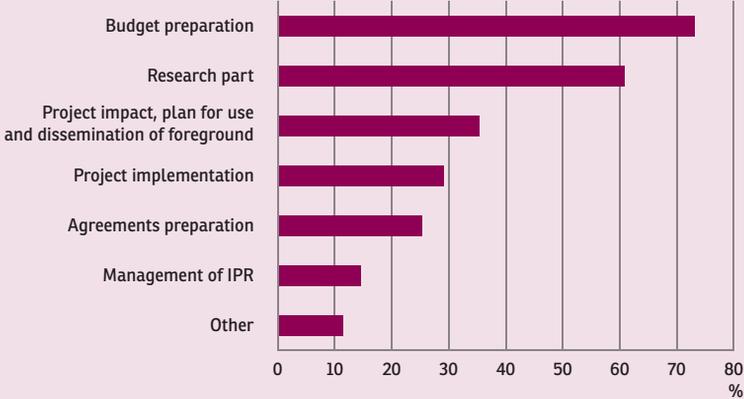


Figure 4.1 – Czech participants' involvement in the preparation of particular parts of FP7 project proposals and relevant agreements (such as confidentiality agreements). Source: TC Survey, 2010.

BOX 4.10.:

**PARTICULAR IP ASPECTS OF PROJECT PROPOSALS AND CZECH EXPERIENCE**

While preparing the **parts of project proposals dealing with IP issues**, Czech participants have come across a number of problems. In total, 10% of Czech participants consider the preparation of the plan for the use and dissemination of foreground rather complicated, while a slightly higher number of Czech participants found problematic to describe the state of the art and project impact. **Awareness of and description of intellectual property generally was deemed to be difficult for one-third of Czech participants**; out of this group two-thirds are formed by researchers. Finally, almost one-half of Czech participants feel that insufficient knowledge of FP7 IP rules causes them to have problems while preparing project proposals, as is evident in Figure 4.2. However, a number of participants comment that the description of IP issues in project proposals is not problematic for them [TC Survey, 2010].

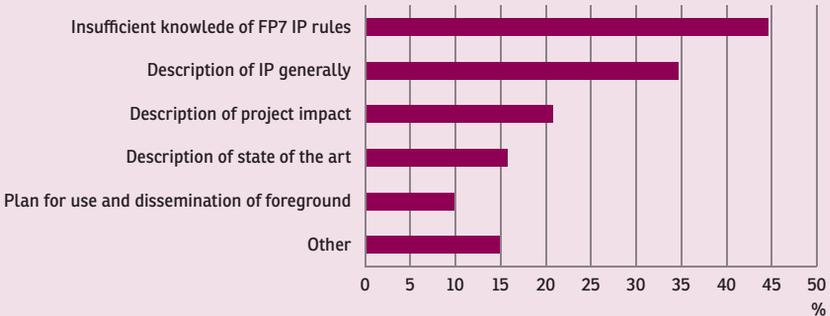


Figure 4.2 – The most problematic IP aspects of project proposal preparation as perceived by Czech participants. Source: TC Survey, 2010.

#### 4.4.2 Project phase

As soon as a project is commenced (ideally after signing the GA), participants shall manage their IP portfolio, i.e. background and foreground, the way it was agreed in their private agreements (e.g. CA) and in line with the GA. Although IP issues are mostly a matter for the consortium itself, i.e. they belong to internal project management as such, the EC is interested in project results being created and in how they are protected, used, and disseminated. Accordingly, project management, in its implementation phase, may be divided in relation to IP aspects into:

- External management and IP aspects
- Internal management and IP aspects

##### External management and IP aspects

With reference to Chapter 3, discussing external management and reporting periods in FP7 projects, the so-called periodic and final reports have to be submitted after each reporting period and after the project end.

**The periodic report** consists of several parts, some of which should deal with FP7 IP issues. A publishable summary of the periodic report covers, for example, expected final results and their potential impact and use.

**The final report** comprises three separate parts, one of which is devoted only to the use and dissemination of foreground. The first part of the final report (final publishable summary report) discusses, inter alia, the description of the main S&T results, main dissemination activities, and the exploitation of foreground. The second part, entitled Use and Dissemination of Foreground, should, where appropriate, be an update of the initial plan in GA Annex I for the use and dissemination of foreground. This part consists of two sections:

- Section A describes the dissemination measures, including any scientific publications relating to foreground and its content that will be made available in the public domain;
- Section B specifies the exploitable foreground and provides plans for exploitation; all this data can be public or confidential, and the report must clearly mark the non-publishable (confidential) parts.

Besides periodic and final reports, there is an obligation for the coordinator to **reference all scientific publications** relating to foreground no later than two months following their publication. Moreover, as a part of the final report, there is a requirement to submit a full list of publications relating to the foreground of the project.

BOX 4.11.:

##### **IP ASPECTS OF PROJECT REPORTING TOWARDS THE EC AND CZECH EXPERIENCE**

As only approximately 15% of Czech participants are coordinators [E-Corda, 2010] in charge of reporting on behalf of a consortium, **there is not a great deal of relevant experience with project-reporting problems towards the EC, including reporting on FP7 IP aspects.**

##### Internal management and IP aspects

With reference to Chapter 3 which describes internal management of FP7 projects in general, IP aspects of internal management will be discussed in this chapter. While managing IP portfolio during project implementation, participants may

come across various problems with regard to FP7 IP rules and their own arrangements on background, foreground, access rights, ownership, etc.

BOX 4.12.:

#### FP7 IP ASPECTS CONSIDERED TO BE DIFFICULT ACCORDING TO CZECH EXPERIENCE

In Figure 4.3 [TC Survey, 2010], it is evident which **IP aspects are perceived to be most difficult** for Czech participants while a project is being implemented. One-third of Czech participants feel that the FP7 IP rules are too difficult to follow, and thus considered them to be rather problematic. **Proper definition of background in consortium agreements is deemed not to be easy by one-quarter of Czech participants.** This group is equally formed by researchers and administrative staff, both of whom are usually in charge of defining background while drafting/commenting on CAs [TC Survey, 2010]. Although the number is not large, it is still surprising because the Guide to IPR, as well as the Czech brochure on IPR in FP7 projects, contain detailed explanations of background excluded and included. Therefore, it is necessary to point to the existence and usefulness of these two documents. A small amount of Czech participants claim as problematic the negotiation of licenses between participants for project implementation purposes and for foreground exploitation. Other possible complications cited by Czech participants are related to obtaining of protection for project results and the publication of another partner's foreground [TC Survey, 2010]. As seen in Figure 4.3 below, only a small number of Czech participants have had problems related to the publishing of another partner's foreground. Czech L&F and NCP experience, however, shows that this is an issue, especially when partners from the private and university spheres are gathered in one consortium. Czech participants usually try to avoid this situation by inserting proper and detailed provisions in CAs while utilising the regime set forth in the GA. Finally, in contrast, 20% of Czech participants do not think the IP aspects in project implementation represent a possible problem and have not yet come across similar problems [TC Survey, 2010].

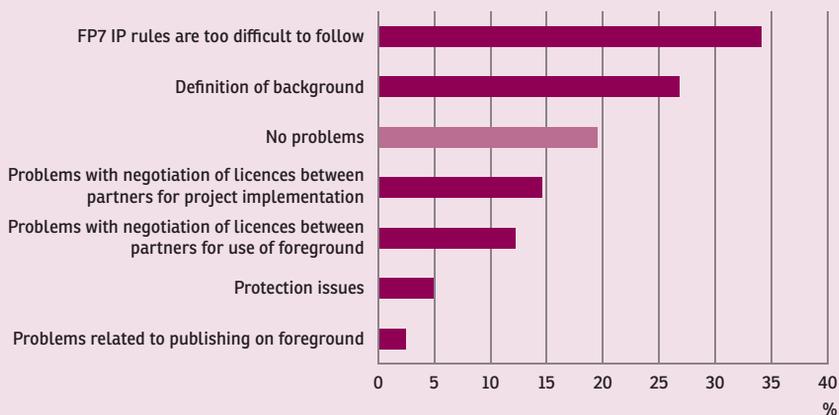


Figure 4.3 – The IP aspects that are perceived to be most difficult for Czech participants. Source: TC Survey, 2010.

During a project, a **dispute between partners** may arise. The dispute should be resolved according to the provisions agreed on in the CA.

BOX 4.13.:

#### **CZECH EXPERIENCE WITH PROBLEMS RELATED TO PROJECT IMPLEMENTATION**

Slightly more than one-half of Czech participants claim that they have never come across any dispute in their consortia. As for the **disputed IP issues**, a small amount of Czech participants have experienced **problems with the licensing of background and foreground between partners in a consortium and with the quality of project results**. Concerning other disputed issues within consortia, Czech participants report problems, such as a lack of partner activity in a consortium, financial questions, issues of voting, etc. [TC Survey, 2010].

### 4.4.3 Post-project phase

While the post-project phase is the period when utilisation of project results should take place, there is no barrier to foreground exploitation during the project implementation, if this is possible. Nevertheless, it still applies that obtaining protection for project results should precede any utilisation and dissemination.

BOX 4.14.:

#### **PROTECTION, PUBLICATION OR KEEPING FOREGROUND CONFIDENTIAL AND CZECH EXPERIENCE**

Concerning the **protection of project results, preferring to keep project results confidential, or publishing about project results, the TC Survey shows that almost half of survey respondents do not know if they want to apply for IPR protection or not**. Almost half of those who do not know whether to protect project results or not are HES and public research organisations. Almost one-quarter of the survey respondents report that they would prefer to keep foreground confidential; SMEs form the majority of the survey respondents who wish to keep project results confidential. Regarding publication and dissemination of foreground, 80% of respondents prefer publication and dissemination; this group of respondents is mostly formed by HES and public research organisations. However, there are many more SMEs that wish to disseminate or publish their project results than SMEs that do not plan to disseminate project results at all. **As for the type of survey respondents, this question was mostly answered by researchers and mostly skipped by administrative staff** [TC Survey, 2010].

BOX 4.15.:

#### **CZECH EXPERIENCE WITH OBTAINING PROTECTION FOR FOREGROUND**

Regarding the **particular intellectual property rights for which Czech participants plan to apply (or have already applied) for IPR protection**, the greatest importance is placed on utility models, followed by patents. A small number of Czech participants answered that they would opt for design-rights protection and trademarks [TC Survey, 2010]. The TC Survey, however, has not revealed the scope of the applied/obtained IPR protection. In approximately half of all cases, application for patents and utility models were filed before the project end. For detailed information, see Figure 4.4 below.

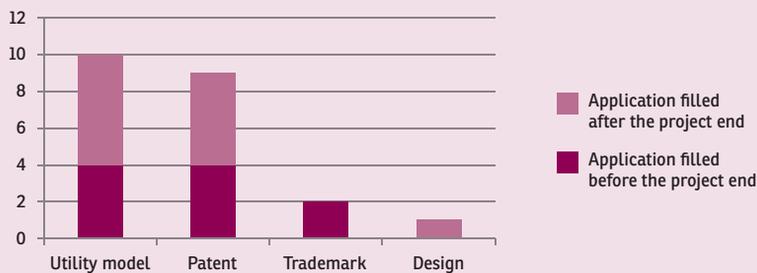


Figure 4.4 – IPR for which Czech participants plan to apply/have applied with regard to FP7 project results. Source: TC Survey, 2010.

BOX 4.16.:

#### IP-RELATED ACTIVITIES PERFORMED AFTER THE PROJECT ENDS AND CZECH EXPERIENCE

Concerning activities occurring after the project ends, as discussed in Chapter 3, there are a number of activities related to IPR that take place after the project ends. Regarding **publication activities** as an example of possible post-project activities, more than half of Czech participants respond and confirm that publication of foreground usually takes place after the project ends, i.e. in the post-project phase [TC Survey, 2010].

It is generally known that **expectations related to intellectual property** are among the reasons participants **choose to enter FP7 projects**.

BOX 4.17.:

#### CZECH EXPERIENCE WITH EXPECTATIONS RELATED TO IP IN FP7 PROJECTS

Almost all Czech participants declare that by participating in FP7 projects they hope to create and/or acquire valuable project results. In total, **90% of them also expect to get free access, or access based on fair and reasonable financial conditions, to other participants' background or foreground**. The same percentage as above hopes for new possibilities for publication. Concerning the **strengthening of market competitiveness, two-thirds of Czech participants expect this** to be an outcome of their participation in FP7 projects. Moreover, **half of them expect to gain other financial resources from the commercialisation/use of foreground**. This question was answered at a rate of three researchers to one administrative staff member, **proving again that IP questions in the TC Survey were more familiar to researchers than to administrative staff** [TC Survey, 2010].

To conclude, with **80% of Czech participants wishing to take part in future FP projects**, intellectual property will hopefully be the primary incentive, among other reasons such as networking, financial sources, etc., when deciding about future participation in FP projects.

## 4.5 CONCLUSION – IP ASPECTS RELATED TO FP7 PROJECT IMPLEMENTATION

To sum up, the **FP7 IP rules** are for the most part not rigid and give **considerable freedom to participants to modify and adjust them to their needs in relation to FP7 project specifics**. Covering IP issues in consortium agreements and/or bilateral agreements means that in order to reach a solution for a potential IP problem, participants need to follow the RfP, the GA, the CA and other agreements and relevant legislation. Moreover, many of the IP-related provisions set forth in the GAs and CAs survive the project end, therefore making it necessary to take this into account.

Czech participants generally do not pay much attention to IP issues in FP7 projects. This is already obvious during the pre-project phase, when project proposals are being prepared. Czech participants are generally not widely involved in the preparation of plans for the use and dissemination of foreground, probably due to the fact that they still cannot take advantage of IP from participation in FP7 projects. In a post-project phase, it is interesting that quite a large number of project participants do not know what to do next with their foreground, i.e. do not know whether to protect it, keep it confidential, or publish about it. This is definitely not positive, as project participants should know their plans by the stage of project proposal preparation.

To conclude, Czech participants should take into consideration **that IP is not a temporary but a long-lasting advantage of participation in FP7 projects**, and they should therefore pay proper attention to particular FP7 IP rules. While some progress has been made, there is still some way to go before this area can be considered satisfactory.



# 5



## **FP7 and financial aspects**



## 5. FP7 and financial aspects



Lenka Chvojková

### 5.1 INTRODUCTION

Successful implementation of FP7 projects is connected not only with achieving the research objectives but also with successful administrative, legal, and financial project management. Knowledge of FP7 financial rules and principles is a necessary prerequisite for correct budget preparation and correct spending and cost-reporting. Effective financial project management should thus ensure smooth and trouble-free project preparation and implementation (both for researchers and project administrators involved), as well as cost justification to project officers and financial auditors.

This chapter summarises the EC's FP7 financial rules and principles and presents Czech experiences with their application. The chapter discusses relevant Czech legislation and reflects on the experiences of Czech FP7 participants, legal and financial NCPs (L&F NCPs), and Czech auditors. Statistics are based primarily on data from E-Corda [E-Corda, 10/2010] and the results of the questionnaire distributed by the TC ASCR [TC Survey, 2010].

The chapter is divided into four main parts. The first part provides a short introduction to documents relevant to FP7 financial issues and activities of Czech L&F NCPs. The second part describes basic FP7 financial rules and principles in more detail and includes related Czech experiences. Mainly SP Cooperation and Capacities are discussed; however, specific features of SP People are briefly mentioned, too. No attention is given to SP Ideas because this kind of project is not very common in the Czech Republic. The third subchapter discusses financial aspects of FP7 project preparation and implementation, and the fourth part focuses on national instruments providing financial incentives for Czech participation in FP7.

### 5.2 SOURCES OF INFORMATION CONCERNING FP7 FINANCIAL RULES AND PRINCIPLES

FP7 rules and principles are described by the EC in various legally binding or guidance documents. FP7 **financial rules** and principles themselves are described mainly in the documents and individual provisions introduced in the information box below.

**i** *Legally binding and guidance documents describing financial rules:*

- **Rules for participation (RfP)**, Section 3 'Community Financial Contribution', containing general financial information.
- **Model Grant Agreement (MGA)**, with more detailed information provided in the Core Text and primarily in Annex II 'Financial Provisions', and also in the additional annexes containing the Model Financial Statements (C Forms), Terms for the Certificate on Financial Statements (D Forms), and the Certificate on Methodology for calculating personnel costs/indirect costs (E Forms). The MGA differs for specific programmes; specific MGAs can be found for SP Cooperation and Capacities (i.e. Standard MGA) or for SP People and SP Ideas.
- **Guide to Financial Issues** explaining the financial provisions of the MGA (especially Standard MGA) by providing detailed interpretations and examples.
- **The Marie Curie Actions FP7 Financial Guidelines** complementing the Guide to Financial Issues and explaining the specificities of SP People.
- **Guidance notes for beneficiaries and auditors on certificates issued by external auditors** providing more information on the implementation of audits and the preparation of certificates.
- **Rules on verification of the existence, legal status, operational and financial capacity** specifying minimum requirements and procedures for the verification of the financial capacity of participants.
- **Guidance Notes on Project Reporting** identifying, inter alia, EC requirements for financial reporting of incurred eligible costs and explanation of the use of resources.

All the documents mentioned above are available on the CORDIS website<sup>58</sup> in English; only the RfP and the MGA were translated into all official EU languages, including Czech. To provide tailored information and advice on FP7 rules and principles in the national language(s), a network of National Contact Points (NCPs) has been established throughout Europe. **Some specialised NCPs are also devoted to financial issues, e.g. Legal and Financial NCPs (L&F NCP).** Other networks of regional and branch organisations, outside the scope of the national networks of NCPs, are often set up (for more information about networks in the Czech Republic, see Chapter 2). They provide information and support to FP7 participants.

BOX 5.1.:

**RELEVANT SOURCES OF INFORMATION ON FP7 FINANCIAL ISSUES PROVIDED BY CZECH L&F NCPs**

As explained above, the majority of information provided by the EC about the financial aspects of FP7 is only available in English. The absence of clear, detailed explanations of FP7 financial rules and principles in the native language appeared to be a significant problem for many Czech beneficiaries, especially for administrative staff working in accounting and human resources departments. To deal with this issue, a number of Czech language sources of information related to FP7 financial rules have been provided in recent years. In 2008, a Czech brochure called the '**Financial Guide for FP7' (SP Cooperation and Capacities)**<sup>59</sup> was published. It was prepared by the Czech L&F NCP. The added value of this brochure

<sup>58</sup> [http://cordis.europa.eu/fp7/find-doc\\_en.html](http://cordis.europa.eu/fp7/find-doc_en.html)

<sup>59</sup> [http://www.tc.cz/dokums\\_raw/pravidla-financovani-projektu-7-rp\\_1199885886.pdf](http://www.tc.cz/dokums_raw/pravidla-financovani-projektu-7-rp_1199885886.pdf)

lies not only in the use of the Czech language but also in the fact that it includes explanations of all the financial aspects, described by the EC in the documents mentioned above, in one publication. The brochure also contains explanations of all EC rules and principles related to the relevant Czech legislation.

To provide a better and clearer explanation of rules, a number of workshops and seminars are organised in the Czech Republic. These include the **FP7 financial workshops organised** by the L&F NCPs regularly twice a year. According to the regular statistics gathered by the TC ASCR through its FP7 national contact centre, the majority of participants attending these financial workshops come from universities or public research institutions and represent accounting, human resources, or project support departments. Only about 8% are researchers themselves. The participants usually welcome the regular repetition of the events and the opportunity to refresh and update their knowledge. Approximately 50% of the participants of these events have already attended a workshop in the past. Concerning the experience of participants, it seems that many people register with the intent to learn more about finances in FP7 before making any further decision to participate. Almost 45% of all participants have not had any previous experience with the implementation of FP7 projects.

Besides these biannual workshops, a number of occasional events, reflecting the individual demands of different organisations and the actual development of FP7 project implementations, are prepared in the Czech Republic. **Special workshops** organised by the L&F NCPs on FP7 reporting, auditing, full costing, co-financing, or FP7 specificities compared to national funding providers can be mentioned. Some events are organised in cooperation with Czech auditors or networks of regional and branch organisations and some even in cooperation with L&F NCPs from other countries.

The Czech L&F NCPs are tasked with not only organising workshops but also providing e-mail, phone, and personal consultations on the national level, providing support for Czech ministries and other national RTD authorities, and administering a **Czech website specialising in the financial issues of FP7 (FP7 FIN)**<sup>60</sup>. The FP7 FIN is a part of the [www.fp7.cz](http://www.fp7.cz) website, which is administered by all the Czech NCPs and used by almost 30 thousand readers per year. The FP7 FIN regularly posts information about news, relevant events, and frequently asked questions and provides special sections with the goal of presenting useful sources of information, including specificities of financial aspects of the ERC and Marie Curie projects, national financial incentives for FP7 participation, and a list of Czech auditors with experience in FP7 financial controls.

### 5.3 FP7 FINANCIAL RULES AND PRINCIPLES

EU funding for FP7 grants (SP Cooperation and Capacities) is based mainly on reimbursing eligible costs. Eventually, in certain cases, it can also take the form of flat-rate or lump-sum financing (or their combinations). In order to be considered eligible, costs incurred by projects must meet certain eligibility criteria and must not include non-eligible costs as identified by FP7 financial rules. Total eligible project costs consist of direct and indirect costs. However, not all eligible costs are reimbursed by the EC. The EC provides funding only for a certain portion of

<sup>60</sup> <http://www.fp7.cz/cz/vice-o-financovani-7rp>

the costs, in accordance with the principle of co-financing. This principle is based on FP7 maximum reimbursement rates per activity and beneficiary. The principle of non-profitability of projects also has to be taken into account, and thus receipts of FP7 projects are considered.

The following subchapters discuss these rules in more detail, with the primary concern being the eligibility of costs and direct and indirect costs of FP7 projects. Attention is given mainly to SP Cooperation and Capacities.

The specificities of SP People (i.e. Marie Curie projects) are discussed in a separate subchapter. For this kind of project, the EU financial contribution generally takes the form of grants covering up to 100% of project budgets, usually comprising predetermined fixed amounts for various expense categories.

### 5.3.1 Eligible FP7 project costs

In order to be reimbursed, costs incurred by beneficiaries in the course of FP7 projects must satisfy the eligibility criteria laid down by the GA (Annex II, II.14). These provisions stipulate that incurred costs shall meet the following conditions (a-h):

- a) they must be **actual** (except average personnel costs);
- b) they must be **incurred by the beneficiary**;

BOX 5.2.:

#### **CZECH EXPERIENCES WITH ELIGIBILITY CRITERIA: 'ACTUAL COSTS INCURRED BY THE BENEFICIARY' (AVERAGE PERSONNEL COSTS)**

The two eligibility conditions mentioned above are usually easily fulfilled by Czech beneficiaries. In Europe, problems often occur when using average personnel costs. However, this is not currently the case in the Czech Republic because the use of average personnel costs (rather than actual costs) is not consistent with management principles and usual accounting practices of most Czech beneficiaries, and thus not declared as such in FP7. So far, **only one Czech institution applied for the Certificate on average personnel costs** [EC, DG RTD, A5, 10/2010]; however, it was not approved by the EC because it did not fulfil the strict acceptance criteria for average personnel cost methodologies defined by the EC in the Commission Decision adopted on 23 June 2009 called '*Acceptability Criteria for Average Personnel Cost Methodologies*'.

On 24 January 2011, new criteria for the acceptance of average personnel cost methodologies were introduced by the Commission Decision called '*Three measures for simplifying*'. These new criteria do not seem to be as strict as in the past, and new simplification in this area may motivate more Czech organisations to use average personnel costs in FP7 projects in the future.

- c) they must be incurred during the duration of the project (determined by the starting day and duration of the project);

BOX 5.3.:

#### **CZECH EXPERIENCES WITH ELIGIBILITY CRITERIA: 'COSTS INCURRED DURING THE DURATION OF THE PROJECT'**

In the Czech Republic, three practical issues concerning the above-mentioned eligibility condition are discussed by participants. Firstly, this rule results in **all the costs of project proposal preparation and GA negotiations being ineligible**, and thus not covered by the

EC. This amount of money does not have to be insignificant, especially when taking into account travel costs related to project preparation and negotiation meetings or personnel costs of people involved in project proposal preparations and discussions with partners from international consortia. Almost 40% of Czech participants experienced problems caused by the lack of financial resources necessary for project proposal preparation [TC Survey, 2010]. This problem is being partially solved in the Czech Republic by the provision of national grants for FP7 project proposal preparation, as described in Chapter 5.5.1.

Secondly, many Czech beneficiaries face a situation in which the **project start date is before the GA is officially signed**. All in all, this situation occurs in 40% of all FP7 projects [E-Corda, 10/2010]. It happens mainly when the negotiation process is still not finished (e.g. due to a demanding process of validation), and the consortium already needs to start working on the project (e.g. due to planned personnel and other capacities for the project). In this case, costs incurred before the signing of the agreement can be eligible. However, the only way to ensure this is to enter the correct (earlier) project start date in the GA. Although no serious problems have been identified in practice concerning the eligibility of such costs in the Czech Republic, many beneficiaries (and their managements) consider this procedure inconvenient and unsafe.

Thirdly, this **rule is slightly different in form from the rule provided by the majority of national RTD funding providers**, and thus interpreted incorrectly by some Czech beneficiaries. FP7 says that costs must be incurred during the duration of the project, which does not necessarily mean that the cost has, in fact, to be paid during that period. The situation is different in the Czech Republic, where some national RTD programmes define eligible expenses rather than costs.

- d) they must be **determined in accordance with the usual accounting and management principles and practices of the beneficiary**;
- e) they must be **used for the sole purpose of achieving the project objectives** and its expected results, in a manner consistent with principles of economy, efficiency, and effectiveness;

BOX 5.4.:

#### **CZECH EXPERIENCES WITH ELIGIBILITY CRITERIA: 'USUAL PRACTICE' AND 'PURPOSE OF ACHIEVING PROJECT OBJECTIVES'**

The requirements defined by the fourth and fifth bullet points above **seem to be the most problematic ones for Czech beneficiaries**. Three reasons for this can be identified.

Firstly, usual accounting and management principles and practices of beneficiaries are sometimes incompatible with FP7 financial principles. The issue of personnel costs and hourly rates represents the most apparent example of this situation in the Czech Republic. Additionally, other problems can be caused by inconsistent rules of different RTD funding providers, which forces organisations to adopt different approaches. Examples of eligibility criteria, reporting requirements, time-sheets, and the approach to full costing can be mentioned.

Secondly, national legislation relevant to FP7 project implementation is sometimes missing, or an ambiguous interpretation of the laws causes uncertainty. This can be observed in connection with the taxation of allowance in Marie Curie projects, flat rates covering daily subsistence and accommodation (hotel) costs related to project travel, or personnel costs and productive hours.

Thirdly, the vague definition of the two eligibility principles mentioned above leaves a lot of space for different interpretations by different EC project officers and auditors. The following subchapters will pay more attention to these aspects.

- f) they must be **recorded in the accounts of the beneficiary**;
- g) they must be **indicated in the estimated overall budget in Annex I**;

BOX 5.5.:

**CZECH EXPERIENCES WITH ELIGIBILITY CRITERIA: 'COSTS RECORDED IN THE ACCOUNTS AND INDICATED IN THE ESTIMATED BUDGET'**

In the Czech Republic, these two bullet points seem to be clear. Czech beneficiaries welcome especially the flexibility of transferring costs between eligible cost items in the estimated budget within the overall amount of eligible costs (i.e. without the need for an amendment of the GA as long as the planned work is being carried out). Almost 70% of Czech participants make use of this flexibility [TC Survey, 2010]. On the other hand, national RTD programmes are often more rigid in this sense, and cost transfers between cost categories or reporting periods (accounting years) are not allowed at all, or allowed only if approved by the funding provider and only up to certain limits. This ambivalence sometimes causes confusion for Czech participants.

- h) they must not include **ineligible costs**.

Eligibility criteria in FP7 are rounded off with a list of costs considered ineligible, which may not be charged to projects: i.e. identifiable indirect taxes including value added tax (VAT), duties, interest owed, provisions for possible future losses or charges, exchange losses, costs related to return on capital, costs declared, incurred by, or reimbursed to some other EU project, debts and debt service charges, excessive or reckless expenditures.

BOX 5.6.:

**CZECH EXPERIENCES WITH INELIGIBLE COSTS**

In the Czech Republic, the most discussed issues are VAT and exchange losses.

The EC considers VAT a universally ineligible cost in FP7 projects, i.e. even for organisations acting in RTD projects as tax non-payers (i.e. especially universities and public research institutions). The situation is different for these organisations in national RTD programmes, where VAT can be declared as eligible. To support the participation of these beneficiaries in FP7, the Czech VAT Act was amended in 2008. Organisations have been allowed to ask for refunds of VAT paid for FP7 project implementation since then. This instrument is discussed in more detail in Chapter 5.5.3.

The issue of exchange losses is important for all Czech beneficiaries because the Czech Republic is not a member of the Euro zone yet, and beneficiaries thus have accounts in CZK (Czech crowns). According to the GA, project costs have to be reported to the EC in EUR which means that the exchange rate set by the European Central Bank has to be used; namely the exchange rate applied either on the date when the actual costs were incurred, or the rate applicable on the first day of the month following the end of the reporting period. Czech beneficiaries usually opt for the latter possibility because it is administratively much easier. However, in case of high exchange rate fluctuation, significant exchange

losses may occur, which will not be reimbursed by the EC. About 30% of Czech participants consider **exchange rate fluctuations and the resulting exchange losses in FP7 projects one of the most problematic financial areas** related to project implementation [TC Survey, 2010]. Figure 5.1 shows the fluctuation of exchange rates since the beginning of FP7.

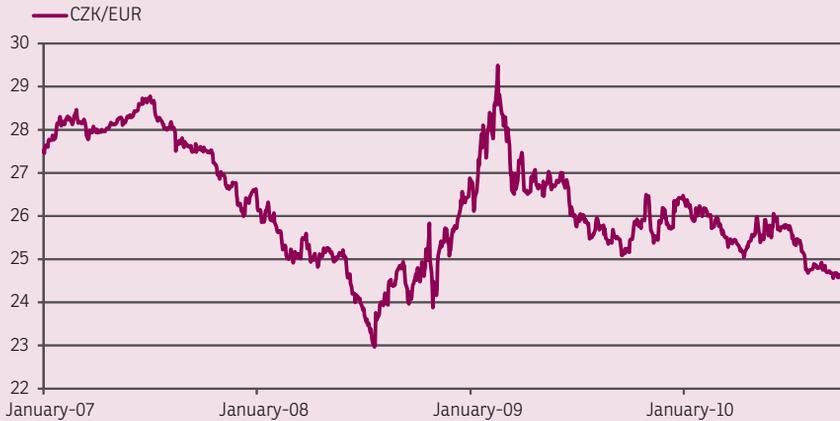


Figure 5.1 – Exchange rate CZK/EUR (January 2007 – September 2010) Source: European Central Bank, accessible at <<http://www.ecb.int/stats/eurofxref/>>.

### 5.3.2 Eligible direct project costs

Eligible costs can be either direct or indirect. Direct costs are the eligible costs that can be attributed directly to projects and are identified by beneficiaries as such (in accordance with their accounting principles and usual internal rules). The following direct costs may be considered eligible in FP7 projects:

- personnel costs
- subcontracting
- other direct costs (travel and subsistence costs, costs of durable equipment, consumables, and others).

Each of the cost categories mentioned above corresponds to one row in the cost table of the indicative budget in the project proposal and the GA (or Grant Agreement Preparation Forms). They also correspond to the cost table in financial reports. The special EC requirement, pertaining to these cost categories and described in the Guide to Financial Issues, is discussed below, along with relevant Czech experiences and specificities.

#### 5.3.2.1 Personnel costs

For personnel costs to be considered eligible in FP7 projects, the following conditions defined in the GA have to be fulfilled:

- Personnel must be **hired directly by beneficiaries and in accordance with national legislation** (both ‘permanent employees’ and ‘temporary employees’ may be included).
- Personnel costs should reflect the total remuneration (statutory costs), and the personnel must be remunerated in accordance with normal practices of beneficiaries.

- Only the costs of the actual hours worked by persons directly carrying out work for the project may be charged.

BOX 5.7.:

#### **POSSIBILITIES OF HIRING PERSONNEL BY EMPLOYERS IN THE CZECH REPUBLIC**

In the Czech Republic, national regulations define, according to the **Czech Labour Code** (Act No. 262/2006 Coll.), two possibilities for personnel hiring:

- employment relationship based on an employment contract;
- agreements on work performed outside an employment relationship – two kinds of agreements are identified: Contract for Work and Agreement on the Performance of Work.

Further, the Labour Code stipulates that the number of working hours for employees with employment contracts may not exceed **40 per week**. The number of productive hours per week is thus legally limited for permanent employees.<sup>61</sup> This fact, combined with the relatively low wages of Czech researchers (compared to their colleagues from the original EU member countries), sometimes motivates researchers to sign extra contracts for work to work on FP7 project activities alongside their employment contract with the same employer. However, in this case, it is necessary to be aware of an additional section of the Labour Code, which stipulates that *'when there is one existing employment contract between an employee and his employer, this employee may not perform **the same type of work** for the same employer under another (an extra) employment contract or under an agreement on work performed outside his employment relationship as he carries out for his employer under the existing employment contract'* [Section 13 (4)]. However, the missing definition of the 'same type of work' leaves space for different interpretations.

According to the Guide to Financial Issues, eligible personnel costs in FP7 projects should reflect the **total remuneration** (i.e. salaries plus social security charges) **and other statutory costs** included in the remuneration. The GA also specifies that personnel must be remunerated in accordance with normal practices of beneficiaries.

BOX 5.8.:

#### **REIMBURSEMENT OF PERSONNEL AND PROBLEMATIC FP7 ISSUES IN THE CZECH REPUBLIC**

Czech institutions sometimes need to decide whether some costs can be considered eligible personnel costs or not – it can be problematic especially in the case of certain voluntary 'benefits' (e.g. food vouchers, contribution to life and pension insurance), which can be paid by employers in accordance with normal practices of beneficiaries (according to Czech law).

**Holiday pay** is also often discussed. Even though it is a part of statutory personnel costs in the Czech Republic, and thus can be considered eligible in FP7 projects, questions arise when an employee works on more projects (national and EU projects) at the same time (with different capacity in different months) and especially in the case of academicians. According to the Czech Labour Code, an academic employee of a university is entitled to an annual leave in the length of eight weeks [Section 213 (3)]. Czech beneficiaries

<sup>61</sup> Overtime hours are also allowed under Czech legislation. However, most research organisations do not provide overtime payment, and thus cannot be considered as eligible for FP7 projects.

are often afraid that the amount of eligible personnel costs will be questionable if zero productive hours are reported in the time-sheet for a whole month. Czech beneficiaries can be even more confused because in some national RTD programmes holiday pay is not considered a part of eligible costs at all.

Identifying eligible personnel costs and their reporting was listed by more than 50% of Czech participants as one of the most problematic financial areas during the implementation of FP7 projects [TC Survey, 2010]. The most problematic topics seem to be **'bonus payment' and 'hourly rate'**. As described in detail in the Guide to Financial Issues and the Guide for Auditors, only costs that are a part of normal remuneration should be considered eligible. All personnel costs related only superficially to involvement in FP7 projects should be, therefore, considered exceptions by auditors and should be excluded. *'Thus the auditor has to recompute (for each employee selected and the period in question) the hourly rate by dividing the actual personnel costs by the actual productive hours, which is then compared to the hourly rate charged by the beneficiary'* [Guide for Auditors, 2010].

Considering the fact that many Czech beneficiaries use different schemes of bonus payments, different RTD funding providers have different approaches to bonus payments, researchers can work on more different projects in the period concerned, and reporting periods are different for different projects, this calculation can lead to difficult situations. The term 'period in question' is also ambiguous. Even beneficiaries acting in good faith and paying researchers regular bonus payments based on their usual practice (applicable to all kinds of projects – EU and non-EU) can get into the trouble if the productive hours in FP7 projects are higher in the month the bonus is paid.

The situation is even more confusing when considering the different rules employed by different funding providers; some national funding providers consider bonus payments related specifically to project activities eligible in full even if a researcher does not work on a project full time. In other words, they consider the whole amount of bonus payments eligible even though they do not require any proof of the number of hours worked on the project and of a fair hourly rate. Calculating the hourly rate for every FP7 project also seems an administrative burden for Czech beneficiaries.

In conclusion, Czech participants would welcome a clarification, common interpretation, and simplification of relevant FP7 financial rules. They would also like the usual practices of beneficiaries to be more broadly accepted. Last but not least, Czech participants would welcome a more trust-based approach and a unification of the rules of different funding providers.

Concerning the eligibility of personnel costs, **only the hours worked on projects can be charged**. Accordingly, employees have to record their time throughout the duration of projects on time-sheets (reasonable evidence) on at least a monthly basis. The time-records also have to indicate the activity to which the hours have been attributed (research, demonstration, management, or other) and they must be authorised (signed) by the researcher and their project manager or superior.

BOX 5.9.:

#### **TIME-SHEETS IN FP7 AND CZECH EXPERIENCES**

For the majority of Czech private organisations, the use of time-sheets has always been a routine practice – as opposed to many public bodies, mainly universities. In the Czech Republic, the majority of public bodies have introduced time-sheets for FP projects only,

respecting the minimal requirements, i.e. recording only hours worked on FP projects. **Full time-recording per person, listing all activities, does not seem to be supported by many public organisations** and their management, mainly because Czech national funding providers do not require it (they often do not require time-sheets at all) and also because of the resistance of academicians. Accordingly, Czech experiences show that only a few authorities strictly check the observance of the legal limit of 40 hours per employee and week.

Based on the observations of Czech auditors, a common mistake made by beneficiaries in FP projects is the absence of signatures from time-sheets.

Beneficiaries themselves declare that the most difficult part of filling out time-sheets for FP7 projects is the allocation of hours to different types of activities performed within projects.

### 5.3.2.2 Subcontracting

Subcontracting may concern only certain parts of projects, as the responsibility for project implementation lies with the participants. Therefore, the subcontracted parts should not, in principle, be the 'core' parts of the project work. Subcontracting should be used typically for specialised jobs that cannot be carried out by the beneficiaries themselves or because it is more efficient to use the services of a specialised organisation (e.g. setting up a website for the project). A subcontractor is a type of third party, i.e. a legal entity that is not a beneficiary of the GA and is not a signatory to it. The agreement between a beneficiary and a subcontractor is based on 'business conditions'; this means that the subcontractor charges a price which usually includes a profit for the subcontractor. Therefore, the need for a subcontract in the project must be detailed and justified in Annex I to the GA (except in special cases of minor services) and transparent bidding procedures must be employed before a subcontractor is selected (except for special cases in which a framework contract exists).

BOX 5.10.:

#### **SUBCONTRACTING IN FP7 AND CZECH EXPERIENCES**

Czech auditors identified **minor errors in this cost category, especially missing plans in Annex I or the omission of a selection procedure**. Czech beneficiaries themselves consider the definition of minor services somewhat confusing. The required necessities for framework contracts have also been cited as unclear, and the beneficiaries have not been sure when to perform the selection procedure and how detailed it needed to be.

### 5.3.2.3 Other direct costs – travel and subsistence costs

As a general rule, actual travelling and related subsistence project costs may be considered directly eligible, provided they comply with the beneficiary's usual practices and are adequately recorded, like any other costs.

BOX 5.11.:

#### **TRAVEL AND SUBSISTENCE COSTS IN FP7 AND CZECH EXPERIENCES**

**Internal practices concerning travel are usually well-prepared in Czech organisations and in line with FP7 rules** (contrary to the often missing internal rules for universal application of bonus payments, time recording, calculation of productive hours, or the selec-

tion of subcontractors). Compared to national funding providers, FP7 seems to be slightly stricter in the requirement for the justification of the need to incur travel expenses in pursuit of project work (e.g. claiming the necessity of presenting a paper explaining the results of a project at a conference). Questions are sometimes raised by Czech beneficiaries concerning travel outside Europe (in case it is not planned explicitly in Annex I) and the eligibility of travel costs of personnel paid from other sources than FP7 projects (i.e. personnel without FP7 project time-sheets). Some beneficiaries forgot to plan their project travel costs in sufficient amounts during the project preparation phase, which means they later had to pay for business trips from their own resources.

On 23 March 2009, a new Decision of the Commission was published allowing participants, if foreseen in the call text, to claim daily subsistence and accommodation (hotel) costs related to project travel on the basis of flat rates for each country.

BOX 5.12.:

#### **FLAT RATES FOR TRAVEL IN FP7 AND THEIR UTILISATION BY CZECH PARTICIPANTS**

Although the introduction of a flat rate for travel in FP7 may seem to make matters simpler at first sight, **Czech participants consider it counter-productive or even confusing** [Czech Position Paper on Simplification, 12/2010]. The use of such flat rates does not reflect the usual accounting and management principles and practices of Czech beneficiaries. While the rule is not explicitly in conflict with Czech national legislation, to incorporate it into internal rules of organisations different acts and provisions of national legislations would have to be taken into account and consultations with specialised experts would be needed. The need to change internal organisational rules would also lead to an increase in the administrative burden and other requirements. Additionally, flat rates could be perceived as specifically created for FP7, which might make them ineligible. As a result, no simplification would be achieved. In view of the above-mentioned facts, it is understandable that no Czech beneficiary is currently making use of this possibility (at least as far as the L&F NCPs know).

#### **5.3.2.4 Other direct costs – costs of durable equipment**

Durable equipment must be designated as such in accordance with every beneficiary's usual accounting practices. All beneficiaries in FP7 projects must apply their usual depreciation system for durable equipment. Accordingly, the following three conditions have to be met in order for any declared costs of durable equipment in FP7 projects to be considered eligible:

- amount of depreciation;
- portion of the equipment used on the project;
- portion of the equipment used during the duration of the project.

In other words, **only the depreciation costs** (not purchase price) of durable equipment, according to the amount of use and time, **can be considered eligible** (with the exception of the 'Research Potential' Programme).

To be able to declare equipment costs as eligible, beneficiaries have to be aware that the claimed use (wear and tear and time) must also be auditable. It is necessary to provide appropriate supporting evidence (i.e. 'time-sheets for equipment') because individual estimates are not sufficient.

BOX 5.13.:

### **COSTS OF DURABLE EQUIPMENT IN FP7 AND CZECH EXPERIENCES**

According to the Czech Accountancy Act No. 563/1991 Coll. [Section 19 (6)], durable equipment is defined as equipment with a period of usability longer than one year; internal rules of Czech organisations usually also define a minimum purchase price of CZK 40 000 (i.e. approx. EUR 1 600) for tangible equipment and CZK 60 000 (i.e. approx. EUR 2 400) for intangible equipment.

The level and time of depreciation can be easily identified in Czech organisations on the basis of common internal accounting practices. To avoid unnecessary mistakes, Czech organisations have to keep in mind that, for the purposes of FP7, common accounting practices have to be applied, i.e. not the depreciation stipulated by Czech tax laws. The level and time of such depreciation for tax purposes are usually different.

Concerning the 'time-sheets for equipment', no significant errors were identified in this aspect by Czech auditors. However, beneficiaries have raised a few questions regarding this issue, especially in relation to the use of intangible equipment, such as software.

Over the years of implementation of FP projects, Czech beneficiaries have gained more experience and learned the rules mentioned above, and it seems that **only minor mistakes now occur in this category of costs. A different situation had been identified by the auditors for FP5 and FP6 projects**; one of the most common mistakes had been the declaration of purchase prices of durable equipment, including VAT, as eligible costs. This can be most likely explained by the fact that some national RTD programmes have different rules.

#### 5.3.2.5 Other direct costs – consumables

The costs of consumables and supplies can be considered eligible in an FP7 project provided they are identifiable and assigned to the project; they have to be necessary for the implementation of the project and must be bought after the start date of the project. To avoid double financing, beneficiaries have to use their usual practice to determine whether the costs of consumables will be considered direct or indirect project costs.

BOX 5.14.:

### **CONSUMABLES IN FP7 AND EXPERIENCES OF CZECH PARTICIPANTS**

**Czech beneficiaries have identified just one problem in this area – whether the costs of consumables should be considered direct or indirect project costs.** A number of Czech beneficiaries seem to be having difficulties with this issue because individual organisations use different approaches to fulfil the various requirements of different RTD programmes. Often, there is no common practice which could be applied in FP7 projects. Computers, software, and printers are usually discussed in this regard.

#### 5.3.3 Eligible indirect project costs and full costing

Indirect costs (overheads) include all the eligible costs that cannot be identified by beneficiaries as being directly related to the project, but can be identified and justified by the accounting system as having been incurred in direct relationship with eligible direct costs attributed to the project. The Guide to Financial Issues mentions the following examples: costs connected with infrastructures and the general operation of organisations, such as hiring or the depreciation of buildings

and plants, water/gas/electricity, maintenance, insurance, supplies and small office equipment, communication and connection costs, postage, etc., and costs connected with horizontal services, such as administrative and financial management, human resources, training, legal advice, documentation, etc.

Indirect costs declared in FP7 projects shall represent a fair apportionment of the overall overheads of the organisation. They may be identified on the basis of one of the following methods:

- **Actual indirect costs** – applied by those beneficiaries who *'have an analytical accounting system'* to identify their indirect costs [MGA, Annex II]. In other words, they have a full costing model allowing them to allocate eligible indirect costs relevant to research activities to the project by using different cost drivers. For this purpose, a beneficiary is also allowed to use a **simplified method**.
- **Standard flat rate of 20%** (of total direct eligible costs<sup>62</sup>) – any beneficiary may opt for this method notwithstanding the type of beneficiary and the existence of its own full costing model.
- **Transitional flat rate of 60%** (of total direct eligible costs<sup>63</sup>) – *'applicable only for non-profit public bodies, secondary and higher education establishments, research organisations and SMEs, which, due to the lack of analytical accounting, are unable to identify with certainty their real indirect costs for the project, when participating in funding schemes which include research and technological development and demonstration activities'* [MGA, Annex II]. This method was designed to facilitate the transition between the old AC model used by many organisations (especially universities) in FP6 to the real indirect cost method preferred in FP7.

BOX 5.15.:

#### **INDIRECT COST METHODS CHOSEN IN FP7 BY CZECH PARTICIPANTS**

Figure 5.2 depicts the situation in the Czech Republic [E-Corda, 05/2010], where more than 45% of FP7 beneficiaries use the transitional flat rate. This method is currently in use by all the Czech public universities participating in FP7 (with the notable exceptions of one private tertiary institution and one public university, which both use the standard flat rate), as well as the majority of public research institutes and many SMEs. The standard flat rate is used by 30% of beneficiaries, mainly those denoted as 'other kind of organisation'. It is also used by regional/national authorities and smaller companies. The lowest share, reaching slightly over 25%, represents the real indirect cost method (including the simplified method), which is used mainly by larger companies.

62 Excluding direct eligible costs for subcontracting and the costs of resources made available by third parties and not used on the premises of the beneficiary.

63 See footnote above.

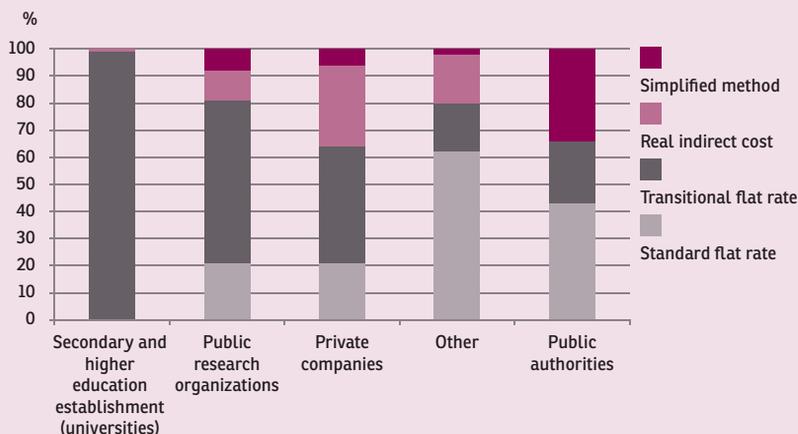


Figure 5.2 – Indirect cost methods used by Czech organisations in FP7 projects. Source: E-Corda, 10/2010 and adjustments based on L&F NCP experience.

It is important to mention that some inaccuracies may have been introduced as some beneficiaries were probably included twice. This was most likely caused by the fact that some organisations had developed full costing systems and started to apply the actual indirect cost method during the course of FP7, or by the fact that **some organisations incorrectly applied different models in different FP7 projects**. Experience shows that the latter scenario was more common in the Czech Republic. Universities and public research institutions found it especially difficult to interpret the new rules at the beginning of FP7, which is why they opted for the 'clear' standard flat rate. Later, when the understanding of FP7 financial rules increased, many of these organisations switched to the transitional flat rate. Additionally, some confusion was caused by various departments of the same legal entity using different methods, which was further complicated by disparate interpretations of the financial rules of CSA projects. Some of the known mistakes are already considered in the statistics in Figure 5.3. The issue is now settled, and no more problems have been encountered with regard to the choice of the indirect cost method in FP7 projects in the Czech Republic.

BOX 5.16.:

#### DEVELOPMENT OF FULL COSTING AT CZECH UNIVERSITIES

Even though the majority of Czech universities have not yet implemented full costing systems (i.e. real indirect cost/simplified method), the trend throughout Europe is to **move towards full costing** and they are currently discussing its advantages and disadvantages and possible ways of adopting it for themselves. Some universities have even already started to prepare such models, and their implementation can be expected in the upcoming years (before the launch of the FP7's successor programme in 2014).

There are three main reasons for wanting to implement the new system: FP7 rules, the needs of university management, and the **requirements of some national funding providers, primarily with regard to the financial rules of the Operational Programme Research and Development for Innovations (OP RDI)**, which is co-funded by the EU Structural Fund. Its managing authority, the MEYS, sets the rules of the eligibility of indirect costs on the basis of full costing. Universities that have not yet adopted full costing cannot ask for reimbursements of any indirect costs within OP RDI projects. The basic

requirements, regarding conditions for eligible full costing methodologies, were set out by the MEYS in a document entitled '*General rules (framework methodology) for reporting actual indirect project costs under OP RDI*'. This document was designed to be **in keeping with underlining FP7 principles** and should be regarded as a basic guideline explaining the term of full costing. That said, it does not provide any detailed explanations, nor does it describe specific processes. Consequently, to provide guarantees for the MEYS and reassure the universities, the quality of the methodologies developed and used will have to be confirmed by the MEYS ex-ante. For this purpose, an audit company will be selected to perform on-the-spot auditing. It is hoped that in the future the requirements of OP RDI and the results of the ex-ante audits will be implemented by other Czech RTD funding providers as well. However, further development of this issue also depends on the political situation and may change in the future.

The introduction of full costing is a highly demanding process for universities, both methodologically and from the perspectives of personnel, time, and finance. In an effort to eliminate the first of these barriers, the MEYS opened a call for project proposals in December 2009 with the intention of **supporting the development of full costing methodologies by Czech universities**. Financial contributions ranging from CZK 1 000 000 to 10 000 000 (i.e. approx. EUR 40 000 to 400 000) can be requested by universities for the duration of their projects (for up to three years). This call, which was opened until the end of 2010, is financed from EU Structural Funds and the Operational Programme Education for Competitiveness, and thus may be used to support only institutions outside Prague. Universities from the Prague region can use alternative sources of financing, namely the national resources for centralised projects, which provide support for the development of universities in 2011.

These incentives and financial resources may also result in applications of full costing by Czech universities in future FPs. However, the whole process seems to be very time-consuming.

### 5.3.4 Specificities of Marie Curie Projects

EU funding for Marie Curie projects is generally in the form of grants covering up to 100% of project budgets. Different rules can be applied to various types of Marie Curie projects and calls for proposals (or Work Programmes for different years). Even though the financial rules have been simplified and improved during the course of FP7, the on-going changes and the diversity of principles seem to be confusing for beneficiaries (especially for administrative staff who have to simultaneously administer different types of projects signed in different years).

Most cases of eligible expenses can be divided into:

- eligible expenses for activities carried out by researchers, and
- eligible expenses for activities carried out by host organisations.

The first case consists of fixed amounts of monthly living allowance, mobility allowance, and travel allowance (all of which aim at providing researchers with a minimum level of remuneration), and a fixed amount of career exploratory contributions to the participation expenses of researchers (which are used for the benefit of researchers but refer to expenditures directly managed by host organisations). The second group of eligible expenses can cover fixed-amount contributions to research training/transfer of knowledge programme expenses and fixed-amount contributions for the organisation of international conferences, workshops, and events. Furthermore, the second case can cover a certain flat rate for indirect costs

and a fixed amount (or real costs) for management. These funding schemes are used with some modifications for the Initial Training Networks Actions, Intra-European Fellowships, International Outgoing Fellowships, International Incoming Fellowships and Industry-Academia Partnerships, and Pathways Actions.<sup>64</sup>

Additional simplified funding modalities are used for Reintegration Grants/Career Integration Grants, Co-funding of Regional, National and International Programmes (COFUND), and International Research Staff Exchange Schemes (IRSES). Reintegration grants represent only a single fixed amount per researcher/year during the period of reintegration. COFUND contributions take the form of reimbursements of scale of unit costs fixed at 40% of the fellowship costs for eligible researchers. IRSES consists of a certain flat rate per exchanged staff member per month, and it is primarily intended to cover the cost of travel and subsistence.

BOX 5.17.:

#### **FINANCIAL RULES FOR MARIE CURIE PROJECTS AND CZECH EXPERIENCES**

**The use of fixed amounts, flat rates, and scale of unit costs makes the financial rules of Marie Curie projects a lot easier** than those of SP Cooperation and Capacities. However, unanswered questions and 'grey areas' exist here, too. First of all, the use of the term 'fixed amount' is not clear to Czech beneficiaries, nor are the differences between the term '*flat rates*' and '*scale of unit costs*'. Even though fixed amounts should not be confused with real costs, beneficiaries often feel uncertain when faced with audits because they seem to be unsure if fixed amounts should be reported in C Forms or real costs. The requirement of keeping time-sheets is also questioned. Furthermore, it is not fully clear where, when, and what allowances should be subject to social security contributions and taxation as these can vary from country to country and from institution to institution. In the Czech Republic, the legislation does not define and/or use the term '*allowances*'. Finally, model contracts defining the regularity and amount of payments from host organisations to researchers (and between host organisations) are missing. To overcome this barrier, some institutions have prepared and published certain model contracts. Contracts prepared by the European Liaison Office of the German Research Organisations (KoWi) and the Institute of Chemical Technology Prague can be mentioned as examples. The latter model contract in particular has been welcomed by Czech beneficiaries because it contains descriptions of best practices for Czech organisations and incoming researchers, in both Czech and English.

## **5.4 LIFE-CYCLE OF AN FP7 PROJECT AND FINANCIAL ISSUES**

The whole life-cycle of FP7 projects is described in detail in Chapter 3. This subchapter will focus primarily on financial aspects of different project phases, i.e. budget preparation, evaluation, negotiation, and financial aspects of project implementation. Attention will be given to financial reporting, cash flow, and financial auditing and penalties.

<sup>64</sup> According to Work Programme 2011, new, slightly modified financial rules are applied.

### 5.4.1 Project preparation, evaluation, and negotiation

During **project proposal preparation**, attention has to be given not only to the scientific part but also to financial aspects. The budget forms an important part of project proposals, and it is even one of the **evaluation** sub-criteria. The table showing the breakdown of indicative costs appears in the online forms of Part A of a project proposal; more details concerning the allocation and justification of resources to be committed can be found in Part B (including information about planned person-months).

The budget in project proposals is only indicative; it is an estimate of future costs, which will be necessary for project implementation. However, it is important to plan the budget very carefully because when it later becomes a part of the GA, it usually cannot be exceeded. During the preparation of projects, beneficiaries should think of all possible costs associated with planned activities. Future inflation and the fluctuation of exchange rates should also be taken into account.

BOX 5.18.:

#### FINANCIAL ASPECTS OF PROJECT PROPOSAL PREPARATION THAT ARE CONSIDERED THE MOST PROBLEMATIC BY CZECH PARTICIPANTS

Figure 5.3 shows what financial aspects of project proposal preparation are considered the most problematic by Czech participants. Considering the information in the preceding chapter, it is not surprising that **the most difficult parts are personnel costs and the estimation of person-months**. Almost every other Czech participant encountered problems with these parts. The fact that knowledge of FP7 financial rules and principles is either non-existent or insufficient is also considered a problem by many beneficiaries. It is thus very important to provide clear and accessible guidance documents and services. Other difficulties worth mentioning include, e.g. usual practices and national legislation pertaining to beneficiaries inconsistent with EC requirements, the overly authoritative approach of coordinators (dictating the budget), or insufficient communication between different departments within institutions [TC Survey, 2010].

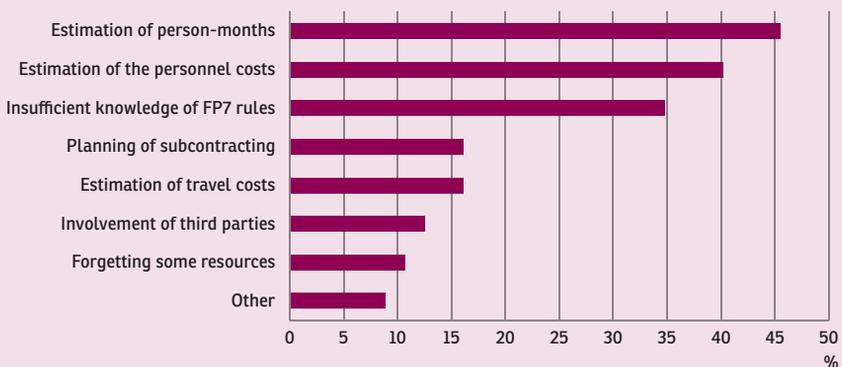


Figure 5.3 – Financial aspects of project preparation that are considered the most problematic by Czech participants. Source: TC Survey, 2010.

Following a positive evaluation of a proposal, the coordinator is invited to commence **negotiations with the EC**. Scientific and technical details are discussed in parallel with financial aspects. The overall purpose is to reach an agreement on budgetary matters, such as the budget for the full duration of the project (i.e. the maximum EU contribution), as well as issues related to subcontracting and third parties. In addition, the amount of initial pre-financing is established. Negotiators should also agree on the timing of project periods and reviews and assess financial capacities of certain beneficiaries. The **verification of financial capacity** needs to be performed only in the case of coordinators and any other applicants with EU contributions in excess of EUR 500 000 (except for public bodies, higher and secondary education establishments, and entities whose participation is guaranteed by a Member State or an Associated Country).

BOX 5.19.:

#### **EXPERIENCES OF CZECH PARTICIPANTS WITH FINANCIAL NEGOTIATIONS**

During financial negotiations, the **majority of Czech participants did not have any remarkable changes** made to their project proposals when compared to the original submitted versions. Nevertheless, when it came to changes, they were mostly concerned with the budget. Approximately 60% of Czech participants confirmed that a **change was made to the budget** planned in their project proposals. The budgets were usually reduced [TC Survey, 2010]. This mirrors the situation of beneficiaries from other countries participating in FP7: 75% of proposed FP7 budgets are cut. However, the reductions tend not to be very radical – they only amount to 10% on average [E-Corda, 05/2010].

**Verification of financial capacity** in FP7 concerns only a limited number of participants (**only about 3% of cases** in the Czech Republic [E-Corda, 05/2010]), and thus can be seen as a great simplification compared to FP6.

## **5.4.2 Project implementation, reporting, and auditing**

Following the successful completion of negotiations and the signing of a GA, beneficiaries can start with project implementation. As was already described in general in Chapter 3, project implementation can be divided into internal and external management. Internal management focuses mainly on relationships between beneficiaries defined in the CA. In relation to financial issues, it concentrates primarily on internal financial reporting and the distribution of the EU financial contribution within the consortium. External management focuses mainly on the relationship of the consortium, represented by the coordinator, to the EC, as defined in the GA. In relation to financial issues, it concentrates on submitting financial statements to the EC and receiving payments from the EC. Relations between the beneficiary and the EC can also take the form of financial audits.

### **5.4.2.1 Cash-flow, bank account, and financial reporting**

The duration of FP7 project implementation is divided into reporting periods. Following the end of each period, reports (including financial statements) have to be sent to the EC, and payment is released after their approval. The scheme can be seen in Figure 5.4. It is described in more detail below.

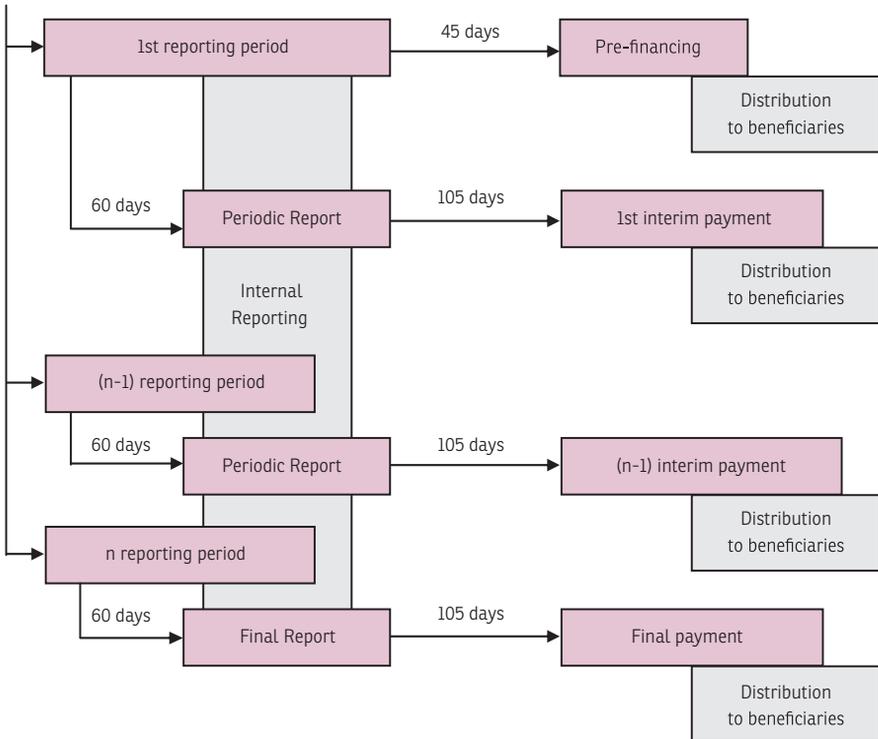


Figure 5.4 – Project implementation and cash flow

As described in the Guide to Financial Issues, there is only one **pre-financing payment (advance payment)** during the life of the project. It is received by the coordinator at the beginning of the project and, in any case, within 45 days of the GA coming into force. The coordinator will distribute the advance payment to the other beneficiaries in keeping with the GA and any decisions taken by the consortium in accordance with the CA. The purpose of this pre-financing is to make it possible for beneficiaries to have a positive cash-flow during the greater part of the project. The amount is determined during the negotiations, but, as an indicative, general rule, for projects spanning more than two reporting periods it should correspond to 160% of average EU funding per period. For projects with one or two reporting periods, it should represent 60–80% of the total EU contribution (unless specific circumstances of the project require otherwise).

The following two facts have to be considered when discussing the amount of pre-financing: firstly, the amount of 5% of the total EU contribution (part of the pre-financing amount) is not paid into the account of the coordinator; it is transferred directly from the EC to the Guarantee Fund and is returned to the beneficiaries through the coordinator at the moment of the final payment at the end of the project. The **Guarantee Fund** is a mutual benefit instrument establishing solidarity among beneficiaries and aiming primarily at generating interest, which can be used for covering the financial risks incurred by the EU and the participants during the implementation of FP7 projects. Secondly, the interest generated by the pre-

financing has to be deducted from the EU contribution. However, this rule applies only to beneficiaries receiving pre-financing directly from the EC (i.e. coordinators) and only in cases in which the amount of pre-financing exceeds EUR 50 000.

According to the Guide to Financial Issues, coordinators in FP7 projects should establish **interest-bearing bank accounts in EUR** in order to be able to identify related interest on pre-financing and transfer the EU financial contribution to project partners.

BOX 5.20.:

#### **A SEPARATE INTEREST-BEARING BANK ACCOUNT AND EXPERIENCES OF CZECH PARTICIPANTS**

Unlike many beneficiaries from other countries, **Czech organisations seem to have no problems with opening interest-bearing bank accounts**. The procedure is free from any major administrative difficulties and in line with Czech national legislation. However, it is also necessary to mention that the majority of Czech beneficiaries do not act in FP7 projects as coordinators and thus **do not need to open extra bank accounts for FP7 project implementation**. The majority of Czech beneficiaries welcome this fact; the advantages of this approach are especially evident when compared to rules of some national RTD programmes, which require a separate bank account for every project and every beneficiary which is considered unnecessary and unpractical.

During the project implementation phase, costs are incurred according to activities planned in the GA and according to the beneficiaries' usual accounting and managerial principles and practices. Coordinators usually require regular internal reporting from all the beneficiaries about the continuing progress of the fulfilment of project objectives and sometimes also about financial aspects, i.e. costs incurred.

BOX 5.21.:

#### **CZECH EXPERIENCES WITH FINANCIAL REPORTING TO COORDINATORS**

**More than 60% of Czech participants have experience with internal financial reporting** to coordinators [TC Survey, 2010]. This practice differs from consortium to consortium and from coordinator to coordinator. However, it is usually more frequent than the compulsory financial reporting to the EC. Coordinators use reporting to retain control over the consortium and increase the chances of recognising potential problems before the reporting period is over. Czech beneficiaries sometimes complain that the reporting is too detailed and associated with yet more administrative work.

A **periodic report** has to be sent to the EC within 60 days of the end of each reporting period. It should contain, among other things, an explanation of the use of resources (linked to work packages), financial statements from all beneficiaries, and a summary financial report with consolidated data on the claimed EU contribution for all the beneficiaries. If the amount of the EU contribution per beneficiary is equal to or exceeds EUR 375 000, the financial statements should be accompanied by a **Certificate on Financial Statements**. The Certificate on Financial Statements is an independent report of factual findings produced by an external auditor (or a competent public officer), which provides the EC with relevant information necessary for assessing whether the costs (and, if relevant, the receipts and interests

generated by pre-financing) incurred by the project are claimed by the beneficiaries in accordance with the relevant legal and financial provisions of FP7 GA.

BOX 5.22.:

#### **CERTIFICATES ON FINANCIAL STATEMENTS SUBMITTED BY CZECH BENEFICIARIES**

Given that the threshold for the submission of the Certificate on Financial Statements is so high, only 62 beneficiaries from the Czech Republic have had to submit it. This represents **only about 12% of all Czech participations** in FP7 projects [E-Corda, 10/2010], meaning that the majority of Czech participants in FP7 are exempt from the obligation to provide such certificates. This decrease in the number of compulsory audits in FP7 compared to FP6 is considered an important simplification step, which leads to a reduction of the administrative load on project management [COM(2010) 187, 4/2010]. On the other hand, it seems that some Czech beneficiaries would prefer regular audits for all FP7 projects because audits give them a certain level of certainty that all FP7 financial rules and principles are being correctly followed [TC survey, 10/2010].

Submitted reports are evaluated by the EC, and after their approval the corresponding **payment is released**. It should be sent to the account of the coordinator within 105 days of the receipt of the report. The coordinator will distribute it to the other beneficiaries in accordance with the GA and the decisions taken by the consortium in the CA. If clarification or additional information is needed, the EC can suspend the time limit until the additional information is delivered. The payment from the EC can be suspended (in whole or in part) completely if the work carried out does not comply with the provisions of the GA.

BOX 5.23.:

#### **CZECH EXPERIENCES WITH PAYMENTS FROM THE EC**

Czech participants **did not report many problems** related to the EC approval of reports and the subsequent payments from the EC. Only about 1% of Czech participants have experienced payment suspension. On the other hand, more than 40% of Czech participants had to deal with a situation when the EC considered some of the reported costs ineligible [TC Survey, 2010].

The total amount of interim payments plus pre-financing is limited to 90% of the maximum EU contribution (i.e. 10% retention).

The **final payment** is transferred to the coordinator's account after the approval of the final reports. The coordinator will distribute it to the other beneficiaries in accordance with the GA and the decisions taken by the consortium in the CA. The final payment consists of the difference between the calculated EU contributions (on the basis of eligible costs) and the amounts already paid. No later than 30 days after the receipt of the final payment from the EC, the coordinator has to submit one last additional report on the distribution of the EU financial contribution to the beneficiaries.

BOX 5.24.:

### FINANCIAL ASPECTS OF PROJECT IMPLEMENTATION CONSIDERED BY CZECH PARTICIPANTS AS MOST PROBLEMATIC ONES

Figure 5.5 shows what financial aspects of project implementation are considered the most problematic by Czech participants [TC Survey, 2010]. The structure corresponds to the problems identified in the text above. The most problematic issues include **identifying the level of personnel costs** (respecting both the usual managerial principles of an organisation and FP7 principles), **recording time** (i.e. filling out time-sheets and calculating productive hours), and understanding FP7 financial rules and principles. Internal communication within organisations also seems complicated (insufficient support provided by relevant administrative departments, including poor knowledge of English on the part of their staff), as does preventing exchange losses, and filling out financial statements with the help of the new online tools. Late payment problems seem to be the coordinators' fault rather than the EC's in the majority of cases.

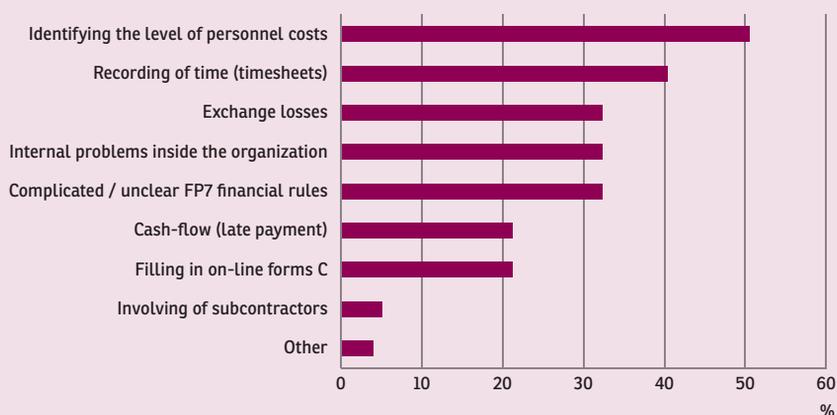


Figure 5.5 – The most problematic financial aspects of project implementation for Czech participants. Source: TC Survey, 2010.

#### 5.4.2.2 Ex-post financial audits and sanctions

The EC can initiate **ex-post financial audits** to make sure that the public funds of the EU are spent properly, with the goal of achieving proposed objectives, and in accordance with the statements in the GA. Audits may be performed by the EC at any time during the implementation of the project and up to five years after the conclusion of the project. Audits may be carried out by departments of the EC, external auditors appointed by the EC, or the European Court of Auditors.

BOX 5.25.:

### ENTITIES PERFORMING EX-POST FINANCIAL AUDITS OF CZECH FP7 PARTICIPANTS

The majority of Czech participants who experienced audits reported that external auditors performed the checks, namely the KPMG Czech Republic. Based on the experience of selected Czech participants, approx. 75% experienced an audit by KPMG Czech Republic, approx. 17% directly by the EC departments, and only 8% by the European Court of Auditors [EC DG RTD, A4, 2010].

During the course of the financial audits, attention is given mainly to financial, systemic, and other aspects, such as accounting and the management principles of beneficiaries. Some of the errors detected during audits are revealed to be of a systemic nature. This means that it is reasonable to assume that the errors affect not only the audited GA, but also other GAs in which the audited entity participates. In such cases, audit findings should be extrapolated to other GAs and financial statements from all the projects of the audited beneficiary should be revised. Even though this procedure of extrapolation is understandable because public money is being spent, it is painful for many FP6 and FP7 beneficiaries everywhere in Europe, as it presents a great administrative burden and a financial risk.

BOX 5.26.:

#### **ERRORS IDENTIFIED BY KPMG CZECH REPUBLIC DURING FINANCIAL EX-POST AUDITS OF CZECH BENEFICIARIES**

KPMG Czech Republic found deficiencies in every FP7 project it audited. So far, 7 Czech beneficiaries and 13 projects have been audited by the company, and in each case some more or less important errors were identified. However, it is necessary to keep in mind that audits are still on-going. The final report was already issued in only three cases. KPMG Czech Republic also identified: major mistakes in the **methods used to calculate personnel costs and hourly rates**; inconsistencies between real personnel costs, financial statements, and time-sheets; subcontracts reported as consumables; VAT of travel costs declared as eligible; equipment used less than reported; and internal communication problems between different departments of the same beneficiary [KPMG Czech Republic, 11/2010].

Based on the conclusions of an audit, the EC may issue **recovery orders** and apply **sanctions, including liquidated damages**. Liquidated damages can be claimed from a beneficiary who is found to have overstated expenditure (resulting from errors, misunderstanding, or misinterpretation of the provisions of the GA), and who has, consequently, received an unjustified financial contribution from the EU. In addition to liquidated damages, any beneficiary found to have seriously failed to meet its obligations under the GA shall be liable for financial penalties of between 2% and 10% of the value of the EU contribution received by that beneficiary (or double in case of a repeated offence).

## **5.5 NATIONAL INSTRUMENTS FOR SUPPORTING CZECH PARTICIPATION IN FP7**

In order to make the participation easier and to get higher participation, the Czech Republic has introduced several financial incentives for Czech organisations to motivate them to take part in FP7. There are three specific instruments in the Czech Republic. Firstly, certain costs of project proposal preparations can be covered from national public sources. Secondly, certain organisations can ask for co-financing from public matching-funds and receive up to 100% of total eligible costs of FP7 project implementation. Thirdly, VAT recovery can be requested from relevant Czech Tax authorities.

While it can be hard to judge whether these instruments really result in higher participation of Czech beneficiaries in FP7 projects, it can be said with certainty that these additional public financial sources are welcome, especially by public organisations, because they can enable them to cover costs related to the preparation and implementation of FP7 projects, which would not be easy to cover from their own limited institutional resources. Some Czech beneficiaries even argue that external sources for co-financing are essential to their participation in FP7.

### 5.5.1 Contribution to FP7 project proposal preparation

As was already mentioned above, the costs of project proposal preparation are not considered eligible costs in FP7, and thus cannot be covered by the EC. Activities connected with proposal preparations have to be financed by participating organisations. However, Czech organisations can also use national public sources.

BOX 5.27.:

#### **DESCRIPTION OF CZECH PUBLIC SOURCES FOR COVERING COSTS OF FP7 PROJECT PROPOSAL PREPARATION**

Contributions to FP project proposal preparation from public sources have been available in the Czech Republic **since 2004** and thus were used to support participation not only in FP7 but also in FP6. The contributions are provided on the basis of a call for proposals published on a yearly basis, financed from the budget of the MEYS, and administered by the TC ASCR. In 2010, this incentive was **available to any legal entity** (public and private) for the preparation of collaborative projects, networks of excellence, or BRSG-SME<sup>65</sup> project proposals if the indicative budget of the given partner was higher than EUR 200 000. Exceptions to this rule are possible for ERC applicants, Czech coordinators who do not have to fulfil the budget limit, and Czech coordinators participating in INCO projects in which CSA projects could be supported as well. The possibility to obtain national financing does not depend on proposal evaluation results; however, the project proposal has to pass the eligibility check of the EC, which means it has to be evaluated (or pass the first stage of evaluation in case of a two-stage proposal evaluation).

**Contributions can be provided to cover the travel costs** of Czech participants going to project proposal preparatory meetings **and the costs of organising such meetings**, including, e.g. the rental of premises. On the other hand, personnel costs, indirect costs, costs of durable equipment, and costs related to the protection of background (IPR) or subcontracts are not eligible. This seems to be a big problem for Czech participants, and it is probably one of the reasons for the low interest in this financial support from Czech beneficiaries who would especially welcome contributions to personnel costs.

The maximum amount of national contribution is CZK 50 000 (i.e. approx. EUR 2 000) in the case of a Czech beneficiary who is acting only as a partner in a consortium and CZK 100 000 (i.e. approx. EUR 4 000) for Czech coordinators. The total amount of contributions for one organisation (or faculty at a university) is limited to CZK 150 000 (i.e. approx. EUR 6 000) and only two projects.

The most recent application had to be sent to the TC ASCR by the end of October 2010. In the case of insufficient resources, funding will be provided primarily to ERC participants, Czech coordinators, and participants with higher indicative budgets. The provider decides

<sup>65</sup> Research for the benefit of specific groups – SME.

which projects are going to be supported, which means that **payments will be released by the end of the year**. This fact is probably the other reason for the low interest in this financial support from Czech beneficiaries who seem to have problems administering and using this ex-post payment in the short period remaining before the end of the accounting year.

The problems mentioned above result in the fact that **only about 10% of Czech participants are using this instrument** [TC Survey, 2010], and even though the total budget of this national support has amounted to almost CZK 8 000 000 (i. e. aprox. EUR 320 000) since 2004, not even half of that was applied for and distributed among Czech beneficiaries [TC ASCR, 11/2010]. The low use of this financial incentive may be also caused by a low awareness of Czech participants. More than 60% of them have never heard about this possibility [TC Survey, 2010]. One way or another, the possibility of cancelling this form of financial support has been often discussed in recent years.

### 5.5.2 Matching funds for the co-financing of FP7 project implementation

The EC contributes a percentage of overall eligible costs to the majority of FP7 projects. The contributions range from 50 to 100%. The different upper funding limits of 50%, 75%, or 100% that can be applied depend on the type of project (i.e. the funding scheme), the type of activity in the project, and the type of beneficiary (i.e. the status of the organisation). Details of FP7 projects of SP Cooperation and Capacities can be seen in Figure 5.6 [FP7 MGA, Annex II]. Accordingly, in most cases the beneficiaries have to co-finance their eligible project costs. In other words, beneficiaries have to be prepared to supplement their FP participation costs by up to 100% from their own sources or seek alternative funding (e.g. matching funds, charities, bank loans).

Maximum reimbursement rates	Research and technological development activities (*)	Demonstration activities	Other activities
Network of excellence	50 % 75 % (**)		100 %
Collaborative project (***)	50 % 75 % (**)	50 %	100 %
Coordination and support action			100 % (****)

(\*) Research and technological development includes scientific coordination

(\*\*) For beneficiaries that are non-profit public bodies, secondary and higher education establishments, research organisations and SMEs

(\*\*\*) The reimbursement of indirect eligible costs, in the case of coordination and support action, may reach a maximum 7% of the direct eligible costs, excluding the direct eligible costs for subcontracting and the costs of resources made available by third parties and not used on the premises of the beneficiary.

(\*\*\*\*) Including research for the benefit of specific groups (in particular SMEs)

Figure 5.6 – Upper funding limits in FP7 projects (SP Cooperation and Capacities). Source: MGA, Annex II.

BOX 5.28.:

#### DESCRIPTION OF CZECH MATCHING FUNDS FOR CO-FINANCING FP7 PROJECT IMPLEMENTATIONS

The MEYS has been providing co-financing for project implementations in the Czech Republic **since 2008**. This financial incentive can be used not only for FP7 projects but also

**for any international RTD project** in which the primary provider does not cover the total amount of eligible project costs and which started later than 1 January 2007 (e.g. FP6, European Economic Area Grants – Norway Grants, Research Fund for Coal and Steel). CSA projects or Marie Curie projects, for which the EU contribution may reach 100% of total eligible costs, are thus obviously excluded. This support is granted according to national legislation, i.e. State Aid Act No. 211/2009 Coll., and respects FP7 rules and principles and statements of the document titled **Community Framework for State Aid for Research and Development and Innovation** 2006/C 323/01 (State Aid Rules).

Co-financing can be provided to any Czech entity defined by the State Aid Rules as a **research organisation**. A contribution is thus usually provided to Czech universities and public research institutions to the extent of up to 100% of eligible project costs. Furthermore, a contribution can be granted only to a research organisation whose FP7 project proposal successfully passed the FP7 evaluation process (i.e. was selected for funding by the EU) and which submitted the application and all requested documents to the MEYS, including a signed GA and cost tables. The MEYS does not perform any evaluations; the principle 'first-come, first-served' is applied. Calls for proposals are usually published by the MEYS several times a year.

Since the beginning of the existence of the Czech matching fund, **eight calls have been published** and 250 organisations and their international RTD projects representing an overall amount of co-financing in excess of CZK 680 000 000 (i.e. approx. EUR 27 200 000) were supported [MEYS, 2010]. FP7 projects were represented in 121 cases, which means that **about one in every five Czech projects (excluding CSA, Marie Curie, and ERC) has used MEYS public sources for co-financing** [E-Corda, 10/2010]. So far, approximately 85% of the total amount has been paid out by the MEYS to Czech beneficiaries; the rest of the amount represents commitments for already accepted applications and will be released in the next years (reflecting the duration of FP7 project implementations). New calls will be published for new projects in the future based on the availability of financial resources in the matching fund. This depends on the Czech political situation and the available budget resources of the MEYS, which could be affected by the economic crisis.

Concerning the implementation of FP7 projects and the usage of this matching fund, one problem is commonly reported by Czech beneficiaries – **whether to declare the amount of money provided by the MEYS for co-financing as project receipt in the C forms** (MGA, Annex II, Art. II. 17) or not. Interpretations differ; however, the Czech NCPs recommend declaring the amount as a receipt. Accordingly, the principle of project non-profitability also has to be accepted. Czech beneficiaries, coordinators, and EC project officers are not always aware of these rules, and thus misunderstanding and confusion often occurs.

### 5.5.3 VAT refund

VAT is not considered an eligible cost in FP7 projects [Article II.14.3.a, MGA]. In general, all beneficiaries are entitled to charge only the net value of invoices to projects, and the VAT has to be paid from other sources.

BOX 5.29.:

#### VAT REFUND FOR FP7 IN THE CZECH REPUBLIC

In an effort to provide, at the national level, some financial motivation for participation in FP7, the following scheme has been in operation since 2008: in accordance with the Value

Added Tax Act No. 235/2004 Coll. [§ 81], Czech beneficiaries are entitled to **claim a reimbursement for VAT** (i.e. VAT refund) paid in relation to implementing EU RTD projects. This option is only available if **a VAT deduction cannot be made**. Accordingly, this option is open mainly to universities and public research institutions, and it is valid for both FP6 and FP7 projects.

Beneficiaries are reimbursed directly by the responsible Czech Financial Authorities on the basis of submitted copies of all invoices (or other tax documents declaring the amount of VAT paid), a copy of a signed GA, self-declaration of the beneficiary, and confirmation issued by the MEYS declaring the eligibility of the project. In other words, the MEYS has to provide confirmation that the given programme can be considered an RTD programme financed from EU resources, and that the rules of the programme consider VAT an ineligible cost. Reimbursement of the paid VAT can be requested at any time during the year, even retroactively, but no later than 15 months after the end of the calendar year in which the tax payment occurred. So far, 264 confirmations have already been issued by the MEYS, which allowed for VAT refunds in the amount of almost CZK 10 000 000 (i.e. approx. EUR 400 000) [MEYS, 03/2009].

Even though the whole process involves an increase in administration, **experiences with the system are generally positive**. It fulfils the expectations of Czech beneficiaries and is strongly welcomed.

## 5.6 CONCLUSION

EU funding for FP7 grants of SP Cooperation and Capacities is mainly based on the reimbursement of direct and indirect eligible costs. FP7 financial rules and principles described by the EC in various legally binding or guidance documents define certain requirements for costs to be eligible, describe specific conditions for categories of direct costs, and identify different methods for the calculation of indirect costs. However, the EC does not reimburse the total amount of all eligible costs. The EC provides funding only for a certain portion of the costs, following the principle of co-financing and non-profit.

To know and understand these rules is an important prerequisite for correct budget preparation, correct cost spending, and cost reporting. In the Czech Republic, information is spread mostly by the L&F NCPs through regular financial workshops, special websites, and a brochure in the Czech language explaining EC rules and considering also the relevant Czech legislation. This **native language support** is mainly welcomed by project support administrative staff, accountants, and human resource departments.

Even though the majority of rules and principles are applied by Czech beneficiaries without problems, there are a couple of problematic areas and 'grey zones'. These problems are caused mainly by the fact that the **usual accounting and management principles of beneficiaries sometimes do not conform to FP7 principles, rules of different RTD funding providers often differ**, and beneficiaries thus have to create different approaches, and national legislation relevant to FP7 project implementation is sometimes missing or causing uncertainty because of ambiguous interpretation. **Vague explanations of certain financial aspects of FP7** by the EC can be also considered a problem because they often leave a lot of space for

different interpretations by different beneficiaries, project officers, and auditors. The problems mentioned above have been observed by Czech beneficiaries, especially in connection with personnel costs. Almost 50% of Czech participants consider calculation of personnel costs, hourly rates, and productive hours the most problematic area of FP7 project proposal preparation and implementation. The same experience has been confirmed by Czech auditors. However, other sources of problems have been identified in the Czech Republic as well, e.g. **insufficient knowledge and understanding of FP7 financial rules** on the part of beneficiaries or **insufficient internal communication and support** between departments within institutions of the individual beneficiaries. Therefore, it is very important to simplify the rules and **provide clear and accessible guidance documents and supporting services to both researchers and administrators**.

Other issues discussed by Czech beneficiaries include, e.g. exchange rates, specificities of subcontracting, use of a flat rate for accommodation and travel costs, depreciation of durable equipment, taxation of allowances for Marie Curie projects, budget preparation, budget transfers between cost categories, cost reporting, payments, or FP7 indirect cost methods. Even though only about 20% of Czech beneficiaries currently declare real indirect costs in FP7 projects, the number of entities aware of the method's advantages has been slowly growing in the Czech Republic.

Based on the information above, it can be concluded that the EC, in cooperation with all of its stakeholders, should continue the process of simplifying FP rules. The fundamental principles of the new approach should be based on scientific excellence combined with sound financial management and **give more trust to researchers. The financial rules should be stable, uniformly interpreted, and unified. A common approach among different funding providers would be strongly welcomed.**

The Czech Republic offers special financial incentives for Czech organisations wishing to take part in FP7. Three specific instruments funded from public sources can be identified: financing of project proposal preparation costs, co-financing, and VAT recovery. Even though it is not easy to judge whether these instruments really result in higher participation of Czech beneficiaries in FP7 projects, they definitely enable organisations to cover costs related to FP7 which would not be easy to cover from their own limited institutional resources.

# 6



## Conclusion



## 6. Conclusion



Lenka Chvojková, Lucie Vavříková

While scientific excellence of proposals and project results is of the greatest importance for FP7 projects, effective and correct management that follows all the rules and principles is essential too. Administrative, financial, and legal management is thus an inevitable part of FP7 project preparation and implementation. The aim of the individual chapters of this publication was to look into these ‘non-scientific aspects’ of FP7 projects and complement the relevant ‘theory’ with experiences accumulated by Czech participants. In the other words, to analyse how FP7 rules and principles are applied in practice. Overall conclusions presented in the publication may prove useful for all types of potential readers – the findings pertain to policy-making both in the EU and the Czech Republic, R&D project administrators, and researchers.

On the national policy level, these conclusions, and the publication as a whole, can help provide deeper insight into the real life of researchers and their institutions performing FP7 projects. The goal is to learn from existing good and bad practice and apply the results in newly developed policies based on clear evidence. On the EU policy level, this could be, inter alia, a guide for simplifying the implementation of future FPs. On the level of individual administrators and researchers, this publication can serve as a practical source of knowledge, providing better understanding of the whole process of FP7 and helping to ease the passage through the process of FP7 project preparation and implementation. The presented information can help avoid bottlenecks and dispel fears concerning a number of issues and matters.

***Czech beneficiaries consider the administrative burden higher in FP7 than in national grants. This fact, combined with frequently experienced poor internal administrative support of Czech organisations for researchers, could be a hampering factor for Czech participants, especially coordinators.***

It was revealed that there is a lack of support from organisations in administrative matters. Internal administrative support seems to be underestimated by the majority of Czech organisations. Researchers call for more attention, insight, and skill to help them solve administrative issues. Of course, this is mainly an issue at public research institutions, although exceptions exist. The area of IPR issues in particular very often lags behind. This matter is primarily an internal problem of institutions. However, it may also be an indication for the policy level, where systematic improvements are needed. This combined with the fact that Czech participants consider the administrative burden higher in FP7 than in national R&D

programmes may be a contributing factor behind the low level of participation of Czech organisations in FP7. This is especially true in the case of coordinators who need an enormous amount of support. Although the Czech Republic has had a comparatively high success-rate and has been joining FPs since FP4, only a negligible number of Czech organisations are coordinating FP7 projects (outside of the People programme). Only a few entities are trying to submit project proposals as coordinators. The administrative burden is obviously not the only reason for the low numbers of Czech coordinators, but it is definitely one of the main factors.

***The well-developed infrastructure of information services and financial incentives in the Czech Republic does not seem to provide any significant help in the effort to increase the level of Czech participation and motivate Czech coordinators.***

In the Czech Republic, there is a well-developed and functional infrastructure of national and regional FP7 contact centres, which provides relevant information and explanations of FP7 rules and principles. The Czech government also provides financial incentives, which can be used for funding FP7 project proposal preparation, covering non-eligible costs, and co-financing. However, it seems that all this national and regional-level external support is ineffectual in its attempts to significantly increase Czech participation. It is obvious that there are other more important factors than insufficient information and financial sources hampering Czech participation.

***FP7 projects have a strong re-participation pattern; the first participation 'sets the wheels turning'. Former FP partners are very often approached to form consortia for new projects, while partner search tools are only rarely used.***

High re-participation is an already known feature of FP7 programmes as such data can be analysed through the E-Corda EC database. However, the strength of the pattern is quite surprising, as is the fact that the partner search tools are used rather limitedly. This is a signal not only for future participants forming consortia, but also for the EC in terms of support and development of the partner search tools.

***Scientific excellence is the main criterion in FP7 projects. However, the quality of proposals also stands on the form and clearness of ideas, proposal structure, and administrative content. Therefore, attention should be paid to these areas.***

Given the limited time and expertise of evaluators, more clearly written proposals can have a competitive advantage over the same excellent ideas presented in a confusing way. The administrative, financial, and legal content of project proposals and the description of the project's management play an important role. Although this fact seems self-evident, evaluators report problems with this aspect of proposals.

***Proposal preparation can be a very long and demanding procedure requiring additional financial sources. Participants should be aware of this fact and try not to underestimate it.***

The experiences of Czech participants have shown that preparing an FP7 project is a time- and cost-consuming process, which is sometimes said to start very early. Periods of one year are often reported for proposal preparations. This is caused by

the need to collaborate on an international level (many partners from many countries with different legislation), difficulties in reaching an agreement on IPR rules, and, naturally, the length of the decision-making process at the managerial level.

***The process of negotiations does not seem to be a problematic phase for Czech participants, although many changes to original proposals can be introduced. If problems are reported, then they are mostly in relation to the process of validation.***

The negotiation process, led by the project coordinator and an EC officer, does not seem to be an issue. Nonetheless, many changes can be made to the original proposal, from adjustments to person-months, to inviting a new partner into the consortium. Again, this process is quite lengthy; not many projects finish their negotiations faster than in six months. When it comes to validation, participants report complications with IT aspects as well as other matters.

***Czech participants report smooth implementation of FP7 projects. The same can be said of necessary changes in project activities and communication with the EC. Reporting is sometimes considered an administrative burden. Problems are more likely to occur between consortium partners.***

Although many issues and problems have to be solved during the several years of project implementation, this process is described as quite smooth. Project changes are especially frequent – in view of the fact that research can be planned very vaguely, it is a good thing that making changes is easy and non-problematic. When it comes to communication with the EC, problems are very rare. More attention should be paid to communication within consortia: the performance of other partners should not be underestimated, foreground and background should be properly protected, and potential arguments should be prevented or peacefully resolved. This communication also helps with the process of reporting, which is perceived as somewhat demanding. On the other hand, it is considered a good tool for monitoring project performance, which ensures the ability to deliver the final product as well as the final report.

***Several activities are only performed after the conclusion of a project: audits/reviews and management of results (IPR, dissemination). Personal capacities have to be supplied for this. Institutions have to keep all report records (not only financial) properly archived on their premises for possible audits/reviews.***

The date of the official conclusion of projects usually marks the end of the period for incurring costs. Many activities are performed after this date – final reports, management of project results, etc. The provisions of the EC stipulate that audits or reviews may be performed up to 5 years after the conclusion of projects, and complete documentation has to be presented then. Complete documentation refers not only to financial records but also to other project documents, so it is necessary to keep all documentation on the premises of the participating institutions. In many cases, this can be a problem due to employee turnover.

***Evaluators are experts drawn from across the R&D community. However, the current pattern indicates a lack of industry experts in their ranks. Becoming an***

***evaluator can provide considerable insight into the process of evaluation and proposal composition.***

The European Commission is constantly seeking expert evaluators, particularly ones from the business-industry sector. From a very pragmatic point of view, it should be taken into account that by becoming an expert a person gets an opportunity to gain experience and improve skills required for drawing up his/her own project proposals. Personal experience with the evaluation process and proposals can be a very effective way of gaining necessary insight.

***When it comes to IT tools, it is difficult for researchers and administrators to distinguish between them and access the right one. Simplification, in which a single IT tool would be specified, would be widely welcomed.***

Many respondents referred to the variety of IT tools in their comments. Researchers investigating multiple projects are faced with the difficult task of having to identify and access the correct tools. Information transfers in the URF were also reported to cause problems. The EC's plans to simplify these tools and build an independent portal for participants represent a substantial step towards easier project administration.

***FP7 projects can have an influence on the participating institutions, e.g. their structure and rules can be changed or their teams strengthened. Project investigators are often given insufficient support by their institutions; the impact is still too small in this regard, and the adoption of new procedures should be more vigorous.***

Some institutions have adapted their internal organisation structure or their financial and other management rules following their participation in FP7 projects. However, as stated above, more changes related to better institutional support would be welcomed. Many institutions are still traditionally prepared only to deal with national grants, and it is very difficult for them to introduce practices befitting the needs of FP7 projects. The financial crisis, which resulted in budget cuts in recent years, has not helped in this regard at all. Despite the fact that it is very much needed, it is difficult for managers to put through their demands for new administrative staff. Therefore, the strengthening of administrative teams thanks to FP7 projects can be seen as a very positive impact.

***IPR issues are underestimated not only on the institutional level but also by researchers. Czech participants pay insufficient attention to these issues, and awareness of relevant FP7 rules and principles is low.***

Concerning FP7 IP rules, Czech beneficiaries pay less attention to them than to FP7 financial rules. The situation is more complicated due to the fact that IP rules may be broadly modified in private agreements between FP7 project partners, and thus the partners cannot rely only on FP7 IP rules and have to have a precise understanding of consortium and other agreements during all the phases of an FP7 project. Not many Czech participants protect shared ideas and knowledge by signing confidentiality agreements when developing project proposals. This low awareness of IPR among both researchers and institutional departments may have serious consequences later on. When implementing FP7 projects, Czech benefi-

aries perceive FP7 IP rules as rather difficult. Again, the fact that some issues are governed by the CA or by national law must be taken into account by Czech beneficiaries. Therefore, it is necessary to provide properly educated support in this field. The post-project phase is the usual time to obtain protection and use and disseminate foreground. However, it is interesting to note that in many cases, Czech beneficiaries do not really have any plans with the created foreground. This may relate to the low interest in IP issues during the pre-project phase when IP should be discussed and planned properly.

***Concerning the financial rules and principles of FP7, ambiguous interpretations and different usual practices seem to be the major problems. Clear guidance documents and services and a common approach by different fund providers are deemed necessary.***

Czech beneficiaries devote more attention to FP7 financial rules than to FP7 IP rules. However, it is obvious that there are still a number of problematic issues that need to be subjected to an in-depth examination and subsequently solved. The majority of problems are caused by vague explanations of FP7 financial principles in GAs and guidance documents, and by the fact that the usual practices of beneficiaries are not always compatible with FP7 principles. The rules of different RTD funding providers often differ and national legislation relevant to FP7 projects is sometimes missing or causes insecurity. On the other hand, obstacles may also be identified at the level of Czech beneficiaries themselves. These are, for example, the insufficient knowledge and understanding of FP7 financial rules, insufficient human and financial support, and bad communication inside beneficiary organisations. Simplification of financial rules and unification of requirements of different funding providers would be much welcomed. Clear and uniform guidance documents, services, and interpretations from EC project officers and auditors seem essential as well. This would limit the space for different interpretations by different stakeholders, which would, in turn, increase the legal security of beneficiaries in the case of a financial audit.

***The EC's ongoing simplification process enjoys much support.***

To summarise, current discussions at the European level about simplifying FP implementation show that project management is considered a difficult and demanding process by both the EC and project participants. The conclusions of this publication confirm this. FP7 rules and principles on the financial, legal, and administrative management of projects are contained in a number of binding and guidance documents and interact with many national legislations. Moreover, various research areas are included in FP7 and rules of different funding providers differ significantly. All of the above leads to the fact that there is an inevitable need to simplify the rules of FPs, provide clear and unambiguous explanations, disseminate necessary information more efficiently, and embark on activities aimed at closer cooperation between RTD grant providers concerning applied rules and principles.

This is obvious in the CZ, where participation in FP7 is rather low. The reasons for this situation include the little interest in and awareness of IP and financial rules, the fact that institutional principles are not in line with FP7 financial prin-

ciples, and the demanding administrative management involved owing to weak institutional support. Despite the listed obstacles to CZ participation in FP7, it can be concluded that the majority of Czech beneficiaries wish to return for future FP projects and take advantage of the experience gained from FP7 project management. The current simplification process, the impact of which may be evident in the next FP, may provide yet another incentive for participation in FPs. This effort will support the general aim of the European research policy and contribute to achieving the ERA.

# ANNEX I: About the survey



**Lucie Vavříková**

This publication, and especially the chapters about project management, finance, and IPR matters, is based on a survey that was conducted by a team at the Technology Centre of the Academy of Sciences of the Czech Republic (TC ASCR). The survey was developed by the authors of this publication. The first draft of the survey was reviewed by other NCPs and other relevant experts. The survey was developed in the first half of 2010; the responses were collected in June 2010.

There were several motivations for conducting the survey. The year 2010 was the year of the midterm evaluation of the current FP. At that time, a debate about the need for simplification was also started. The combination of these two facts with the TC's internal motivation to gather and summarise Czech experiences with FP7 – to learn more about Czech participants and the issues they have to deal with while participating in FPs – led to the decision to organise this activity. Moreover, it was expected that these results would shed more light on the processes connected with FP7 project management.

Data from the survey are referenced in this paper as follows: [TC Survey, 2010].

## 1.1 BASIC FACTS ABOUT THE SURVEY

Collection of responses:	1–30 June 2010
Tool:	online questionnaire
Dissemination:	e-mail
	during events organised by the TC ASCR
	personal addressing
Contact data:	internal database of the TC ASCR
	E-Corda database (project contacts)
Target respondents:	any Czech participant or administrative staff of FP7 projects
Anonymity:	voluntary (e-mail and project acronym fields provided)
<b>Results</b>	
Number of responses:	169
Number of complete responses:	117
Approximate time needed to fill out:	45 minutes

## 1.2 STRUCTURE OF THE SURVEY

The survey was designed to answer questions about every stage of the FP7 project life-cycle. The survey was divided into five parts; the complete questionnaire can be found in Annex II. The introductory questions were designed to provide some **background on the respondents** in order to learn about their type of organisation and their relationship to this organisation and to their particular FP7 project. These questions also sought to **identify the project**, its topic, budget, duration, and optionally the acronym of the project. The second part was concerned with **proposal preparation** and asked how consortia are built, who was involved in the proposal development, how long the process took, and what issues were the most problematic. A separate topic, specific to the Czech Republic, covered **participation support measures**. The third part touched on the **negotiation process** and explored issues of organisation validation, preparation and the signing of Grant and Consortium Agreements, changes made in comparison to original proposals, and, of course, the length of the whole process. The fourth part collected information about experiences with **project realisation from the management point of view** (rather than exploring the extent of fulfilment of scientific goals). Attention was given to communications with the EC, reporting, grant amendments, smaller changes in the project, such as time schedules and capacities, communication within consortia, IPR matters, and the administrative burden of the project, which was also compared to other common grant schemes. The impact on the given institution was also investigated, as well as disputes, disagreements, and ways to resolve them. Again, the questions focused on finding the most problematic parts of this phase. In the fifth and last part, the survey enquired into the situation following the **conclusion of the project** – audits by the EC or any other activities. The final question asked whether the participants felt motivated to take part in another FP project.

## 1.3 VALIDITY OF RESULTS

**169 responses** were collected. These responses were examined in order to ascertain the level of their validity. **Two basic validity criteria** were employed. The first is the **relevance** of responses – appropriateness, possible bias, completeness, and other issues. The relevance of responses is naturally dependent on the intelligibility of questions. The second criterion was the **correlation** of response data with **real data**: do the results correspond with the overall numbers of Czech FP participation? If the correlation is high, it would be possible to draw conclusions about general participation patterns in the Czech Republic from this survey.

### 1.3.1 Validity of responses

We have encountered several validity issues, of which the most important were the completeness and adequacy of responses both to the survey and individual questions. Other issues included multiple response or timing of the responses.

Overall, 169 sets of responses were collected but only **117 of them were complete**. The reason for this could be twofold. Firstly, respondents may have started

the survey but were not able to complete it in time due to its length. However, they were able to return to the survey at a later time. Secondly, respondents were possibly not interested in answering questions from the end of the questionnaire, which were, for the most part, devised for participants who were already running a project for a longer period of time or have already completed a project. The results from the end of the survey, mainly from sections concerned with IPR and audits, may be slightly distorted by a small number of answers.

Incomplete responses also highlight the matter of relevance. Some of the submitted responses are clearly based on projects outside of FP7 – a fact, which can be surmised from comments or provided project acronyms; said respondents either did not realise the fact that the survey investigated FP7 projects or found out in the middle of the survey. It is clear that several responses are related to FP6, CIP<sup>66</sup>, or other national support measures. The issue of relevance is not related only to the survey as a whole; some responses may have been also influenced by misunderstood questions, e.g. ex-post audits on behalf of the EC were often confused with the certificate on financial statement. However, there were only a few of these inadequacies (both regarding the whole survey and particular questions), and they did not influence the data set significantly as they did not exceed the level of statistical error.

The survey also had to deal with summarising responses, or ‘average’ responses. In several cases, experienced administrative workers combined their experiences from a number of projects and filled out the questionnaire only once; they summarised everything into one response. They used this approach because they would not have been able to always fully distinguish with which project the matter is connected. Not to mention that describing every project separately would be very time-consuming. So we need to keep in mind that these respondents could have also included references to experiences with FP6 in these summarising responses.

Despite the existence of these factors, which influence the quality of the whole response set, the results are solid. Every one of these factors was observed only in a limited number of cases, often together within one response. Respondents who included irrelevant answers, e.g. by referring to experiences with programmes other than FP7, also usually misunderstood the questions, etc. Therefore, these validity issues do not significantly alter the general conclusions, which can be drawn from the questionnaire.

### 1.3.2 Survey statistics and correlations with real data

To show the relevance and validity of the data sample, which corresponds to the complete data set, **basic statistics and correlations between the set of responses and the E-Corda database** will be indicated below. E-Corda is the official database of the EC for FP project proposals and grant agreements. The necessary data for comparisons on the side of the survey were taken from log statistics of the online questionnaire system and the ‘Identification’ part of the survey.

At the time the questionnaire was conducted, there were, according to the official database, **530 Czech teams in 426 FP7 projects**. Therefore, as the number of responses in the survey was 169 (117 complete), it covered almost 33% of par-

ticipations, (23%). On the one hand, this rate could have been higher were it not for the ‘summarising responses’; on the other hand, it should have been lower because there were some irrelevant responses from participants in other support programmes. The fact that several people could answer for one project needs to be taken into account. The survey was filled out by **researchers and administrative staff**, as shown in Figure I.1. In a few cases, both options were checked. The group ‘others’ is represented mostly by NCPs, but also by external staff (‘researcher’ was also checked), executive directors, several types of managers administering one or more grant projects, marketing managers, teachers (or pedagogic staff in general), or technical staff.

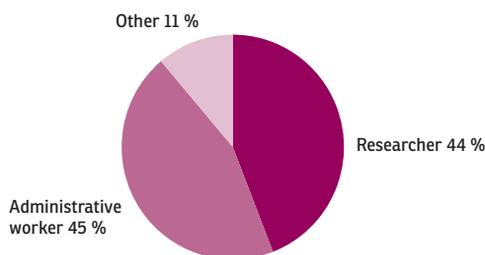


Figure I.1 – Respondent types. Source: E-Corda 05/2010 ; TC Survey,2010.

Respondents could have different **roles within projects**. They could be **coordinators**, work-package leaders, or a standard part of a project team (researchers or administrative staff). There were 29 coordinators among the respondents, which is approximately 17% of all respondents. The E-Corda database registers 41 coordinators, which means that there are responses from more than 75% of the coordinators. There were also 28 work-package leaders among the respondents. 63 respondents gave themselves an administrative role, but 16 of these had other roles in their projects as well (from researcher to coordinator).

The representation of **sectors**, in the survey and in FP7 projects, can be seen in Figure I.2. There are slightly fewer responses from HES (secondary and higher education establishments/universities) than from research organisations (REC). The private sector (PRC) was divided into two sub-sectors in the survey: small and medium enterprises (SME) and large companies (IND). A comparison of IND and SME shows that the results are identical. The response of the public sector was almost twice as high as their real-world participation; in absolute numbers, responses from more than a half of Czech FP7 participants from this sector were collected. Notwithstanding, the numbers are low, and they should not distort the overall results significantly. One fact cannot be omitted here: while the sector, to which an organisation belongs within E-Corda, is assigned by the EC and corrected by the TC ASCR, survey participants assigned the type of sector themselves. As a result, categories REC, PRC, IND, SME, and OTH could be influenced because the definition of a research organisation is not clear enough, and participants could view themselves more as companies, whose definition was clearer than that of research organisations. The other sector has no delineation, so organisations are described by this label when they do not fit any other category.

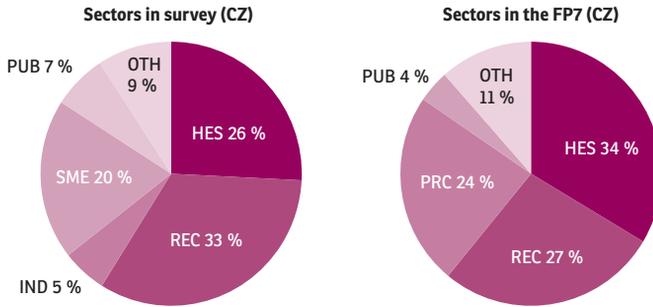


Figure I.2 – Sector participation in both the survey and the FP7 projects. In the survey, the PRC sector (private companies) was divided into two sub-sectors – SMEs and IND (large companies, mostly industrial). Source: E-Corda 05/2010; TC Survey, 2010.

Looking into **financial statistics, the extent of projects and funding for participants** can be compared. Figure I.3 shows how the projects are distributed according to the determined categories of overall project funding. Project funding means the cost of a project as a whole is covered by funding received from the EC (**EC requested**), not the total eligible cost. Categories were created in order to draw a clear picture of the distribution of project funding according to Czech participations. The lowest category was under EUR 100 000, the highest was covering projects with funding in excess of EUR 15 million. The survey corresponds to the real-world status of Czech participation in FP7 projects. There are two little deviations in the proportional counts; the survey covered more projects with rather lower funding, i.e. the category of funding between EUR 100 000 and 1 mil. On the other hand, the category of EUR 3–6 mil. was not covered adequately by the survey and does not correspond to real participation.

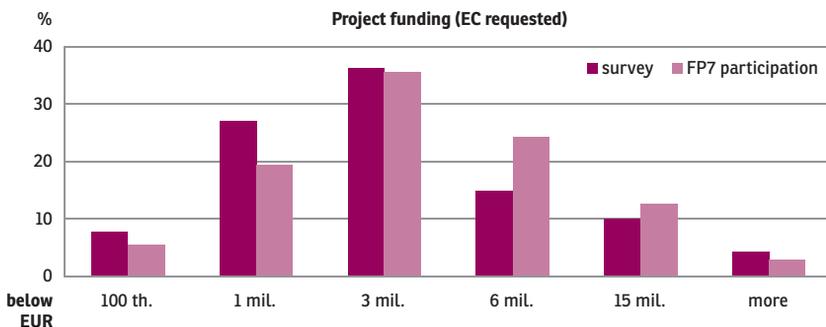


Figure I.3 – Project funding (EC requested) of all Czech participations and those covered by the questionnaire. Projects are divided into categories by their level of funding – the smallest do not exceed EUR 100 000. On the other hand, there are a number of projects with funding in excess of EUR 15 mil. The most prolific category is EUR 1 mil. to 3 mil. The x-axis marks the higher limit of the category, i.e. 3 mil., which means that a project is in the category of 1–3 mil. Source: E-Corda 05/2010; TC Survey, 2010.

The second financial statistic is a comparison of Czech participations based on the costs of the participations, i.e. the funding for every team in a consortium. Again, the level of funding received from the EC (EC requested) is used, not the total eligible cost of a participation. Figure I.4 shows how the cost of each participation is distributed. Participants are divided into categories according to the level of funding provided to them, starting with the category, in which the cost of participation does not exceed EUR 50 000. The highest category covers participations with costs of more than EUR 500 000. The most prolific categories are the ones with costs ranging from EUR 50 000 to 150 000 and 150 000 to 300 000. In the real world, Czech participations are most often found in the latter. However, the majority of the survey responses come from the two lower categories. Overall, the data are again distributed very similarly, only the category of funding below EUR 50 000 is much stronger in the survey than in the real world. This is caused – albeit just partially – by good recollections of NCP projects, which mostly fall into this level of funding. The NCP projects, often initiated by the EC, ensure the cooperation of NCPs (national contact points) and aim at improving the information infrastructure of FP7 on a nationwide scale.

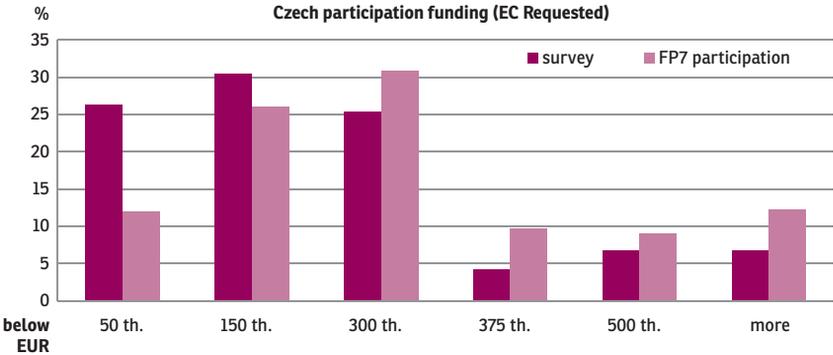
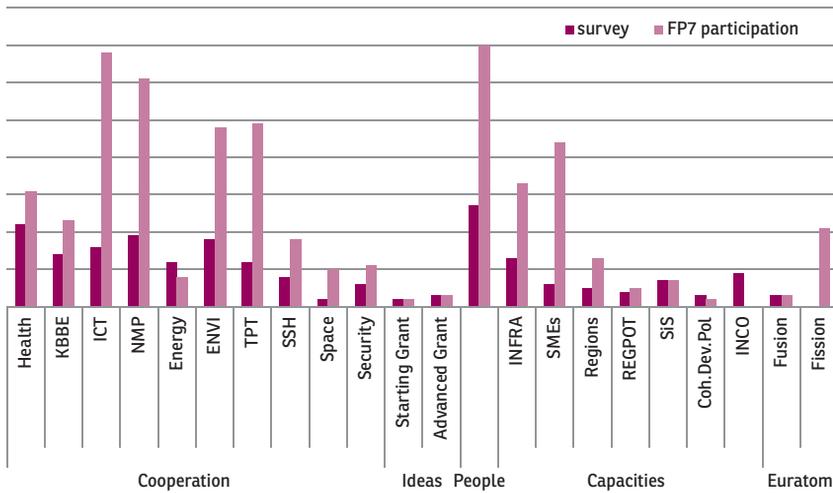


Figure I.4 – Distribution of EC financial contributions among Czech teams, both in the survey and in all the current Czech participations. Projects are divided into 6 categories, starting with funding lower than EUR 50 000 and going all the way to the category of more than EUR 500 000. Source: E-Corda 05/2010 ; TC Survey, 2010.

The projects can also be compared in terms of **areas of research, i.e. FP7 priorities**. Figure I.5 shows the number of Czech participations in FP7 projects and the number of survey respondents broken up according to their research priorities. The data set of the respondents mirrors, to a certain degree, the participation in FP7 projects. The prominent peaks are missing in the data collected from survey respondents. There is a deviation in the ICT, NMP, TPT, and SME priorities, which are traditionally dominated by industry, even though the response rate from the industrial sector was above the average. Also, the survey did not reach enough participants in the Marie-Cure Actions of SP People. The Energy research priority exhibits an interesting trait: the number of responses to the survey actually exceeded the number of real-world participations. This is due to the fact that anybody participating in a project could fill out the questionnaire, be it an investiga-

tor or an administrative employee; evidently, multiple responses from different persons involved in the same project were recorded.



Comparison of Czech participation in FP7 and in the survey in priorities of FP7. Health - Health; KBBE - Food, Agriculture, and Biotechnology; ICT - Information and Communication Technologies; NMP - Nanosciences, Nanotechnologies, Materials and New Production Technologies; Energy - Energy; ENVI - Environment (including Climate Change); TPT - Transport (including Aeronautics); SSH - Socio-economic Sciences and Humanities; Space - Space; Security - Security; Ideas - European Research Council grants, SP Ideas; PEOPLE - Marie-Curie Actions; INFRA - Research Infrastructures; SMEs - Research for the benefit of SMEs; Regions - Regions of Knowledge; REGPOT - Research Potential; SIS - Science in Society; Coh.Dev.Pol. - Coherent development of research policies; INCO - Activities of International Cooperation; Fusion - Fusion Energy; Fission - Nuclear Fission and Radiation Protection. Source: E-Corda 05/2010; TC Survey, 2010.

## 1.4 CONCLUSION

The survey that serves as a knowledge base for this publication was quite extensive. It took several months to develop from the conception of the idea to the launch of the survey. Despite the wide scope of the survey, which made it time-consuming to complete, the response rate was quite high. Thanks to this fact, the knowledge base was largely sufficient to answer the issues discussed in this publication. Several questions regarding the validity, completeness, adequacy, etc., of responses were raised, but none of them has influenced the survey to a great extent. Also, a comparison of the data set obtained from the survey with real data on the participations of Czech teams in FP7 projects leads to the conclusion that, save for a few minor exceptions, there is a strong correlation between these two data sets in many perspectives. In conclusion, **the survey provides a qualitatively very good sample**, and it is possible to generalise the results to infer the experience of Czech participants in general.



# ANNEX II: Questionnaire – Experiences with FP7 projects: From application to patent



Lenka Chvojková, Jana Vaňová, Lucie Vavříková

## (1) IDENTIFICATION

### (1.1) Respondent

a) *In your organisation, you mainly work as:*

- researcher (including leaders of research departments)
- administrative staff (including employees from the service departments: finance, human resources, legal, research support)
- other; please specify in comment

*Comment:*

b) *What is your role in the FP7 project?*

- coordinator
- work package leader
- standard member of the project team – researcher
- administrative staff
- other; please specify in comment

*Comment:*

c) *What is the legal status of your organisation in FP7 projects?*

- higher or secondary education establishment (university)
- public research institution
- large enterprise
- small or medium-sized enterprise
- public organisation
- other; please specify

*Comment:*

### (1.2) FP7 project

a) *Project acronym (not mandatory if you do not wish to identify your project):*

b) *What specific programme is your project part of?*

## COOPERATION

- Health
- Food, Agriculture and Biotechnology
- Information and Communication Technologies

- Nanosciences, nanotechnologies, materials & new production technologies
- Energy
- Environment (including Climate Change)
- Transport (including aeronautics)
- Socio-economic Sciences and the Humanities
- Space
- Security

#### CAPACITIES

- Research infrastructures
- Research for the benefit of SMEs
- Regions of knowledge
- Research potential of Convergence Regions
- Science in society
- Support to the coherent development of research policies
- International cooperation

#### PEOPLE (i.e. MARIE CURIE)

- Initial Training Networks (ITN)
- Intra-European Fellowships (IEF)
- International Outgoing Fellowships (IOF)
- International Incoming Fellowships (IIF)
- European Reintegration Grants (ERG)
- International Reintegration Grants (IRG)
- Co-funding of Programmes (COFUND)
- Industry-Academia Partnerships and Pathways (IAPP)
- International Research Start Exchange Scheme (IRSES)
- Researchers' Night

#### IDEAS (i.e. ERC)

- Starting Grant
- Advanced Grant

#### EURATOM

- Fusion
- Fission

#### OTHER:

c) *What is the requested financial contribution from the EC (grant) for the whole project in EUR?*

- less than 100 thousand
- 101 thousand – 1 million
- million – 3 million
- 3.1 million – 6 million
- 6.1 million – 15 million
- more than 15 million

*Comment:*

d) *What is the requested financial contribution from the EC (grant) for you as a partner in EUR? (If you are a mono-beneficiary, proceed to the next question.)*

- less than 50 thousand

- 50–149 thousand
- 150–299 thousand
- 300–375 thousand
- 376–500 thousand
- more than 500 thousand

*Comment*

e) *What is the scheduled duration of the project?*

- 12 months or less
- 13–24 months
- 25–35 months
- 36–48 months
- more than 48 months

*Comment:*

## **(2) PREPARATION OF THE PROJECT**

**(2.1) Project participation – please describe how the project consortium was established, how you got involved with the project (if you are one of the partners), or how you recruited the partners of consortium (if you are the coordinator of a consortium).**

*If you are a mono-beneficiary, proceed to the next question.*

- By approaching cooperating research institutions and existing business partners.
- On the basis of a previous successful project in FP5 or FP6.
- Thanks to participation in scholarly conferences, brokerage events, and information days.
- By searching the CORDIS database of successful projects.
- Thanks to offers for cooperation on specialised websites (a so-called partner search, such as CORDIS, FP7, CZELO).
- Thanks to the help of the national contact point for FP7 (or thanks to employees of the Regional Contact Organisation for FP7).
- other; please specify

*Comment:*

**(2.2) Who participated in the project proposal preparation from your institution (i.e. the elaboration of the appropriate part of the project proposal, including consultation to financial and legal aspects of the project)?**

- researcher (and his or her team)
- administrative departments of the institution (e.g. R&D support department)
- external consultancy – Czech (provide the name in your comment)
- external consultancy – foreign (provide the name in your comment)
- other; please specify

*Comment:*

**(2.3) How long did it take to complete the preparations before the deadline for submitting project proposals?**

a) *How long before the call deadline were you approached by the coordinator? Or,*

*if you are the coordinator, when did you approach potential partners with the idea of undertaking a project?*

*If you are a mono-beneficiary, proceed to the next question.*

- more than 12 months
- 12–7 months
- 3–6 months
- less than 3 months
- I don't know

*Comment:*

*b) How long before the call deadline did the coordinator start preparing the project (for the whole consortium)?*

- more than 12 months before the deadline
- 12–7 months before the deadline
- 3–6 months before the deadline
- less than 3 months before the deadline
- I don't know

*Comment:*

*c) How long before the call deadline did you start preparing the project proposal (if you are one of the partners)?*

*If you are a mono-beneficiary, proceed to the next question.*

- more than 12 months before the deadline
- 12–7 months before the deadline
- 3–6 months before the deadline
- less than 3 months before the deadline
- I don't know

*Comment:*

#### **(2.4) What part of the project proposal did you work on?**

- research part
- finance (budget preparation)
- intellectual property management, other legal issues
- grant agreement preparation or commenting
- management (implementation)
- project impact, plan for use and dissemination of research results
- other; please describe

*Comment:*

#### **(2.5) In your opinion, what were the most problematic parts of the project proposal preparation (for you personally, or for the whole consortium)?**

*a) From the point of view of project management.*

- communication between the partners
- conclusion of contracts for the purposes of the preparation phase (non-disclosure agreement etc.)
- insufficient financing necessary for the preparation of project proposal (meetings, etc.)

- other; please describe

*Comment:*

*b) From the point of view of planned project results (intellectual property).*

- unfamiliarity with intellectual property rules and principles used in FP7 projects
- description of the state of the art
- description of project impact or project results
- description of plans for use and dissemination of project results
- description of general intellectual property issues
- other; please describe

*Comment:*

*c) From the point of view of finances (project proposal budget preparation).*

- unfamiliarity with financial rules and principles used in FP7 projects
- estimate of personal costs
- estimate of person-months
- estimate of travel costs
- planning of subcontracts
- incorporating third parties in the project
- neglecting to plan certain costs
- other; please describe

*Comment:*

**(2.6) At the time of project proposal preparation, did you know about the following possibilities of financial support in the CZ (or did you learn about them during project realisation)? Did you make use of any of these possibilities?**

*Legend: More detailed information about the individual programmes can be found at <http://www.fp7.cz/cz/vice-o-financovani-7rp/stranka-317/>*

*Comment:*

	Did you know about the programme? - Yes, during the preparation phase. - Yes, but only after the project started. - No, we haven't heard about this programme.	Did you make use of the support? - Yes - No
'Financing of proposal preparations' (FP7 Project Proposal Preparation Support System)	<input type="checkbox"/>	<input type="checkbox"/>
'Supplementary financing from the MEYS (matching funds)' (Provision of Institutional Support for International R&D projects)	<input type="checkbox"/>	<input type="checkbox"/>
'VAT refund' (according to par. 81 of Act No. 235/2004 Coll., on VAT)	<input type="checkbox"/>	<input type="checkbox"/>

### (3) NEGOTIATIONS

**(3.1) How long did the negotiations with the EC take, i.e. from the moment of receiving the invitation to negotiations to the signing of the grant agreement by the EC?**

*If you are not the coordinator (you do not know the answer), proceed to the next question.*

- more than 12 months
- 12–7 months
- 3–6 months
- less than 3 months
- I don't know

*Comment:*

**(3.2) What changes were made to the project proposal during the negotiations when compared to the original project proposal?**

*If you are not the coordinator (you do not know the answer), proceed to the next question.*

- changes in the research (scientific) part of the project (concerning output, milestones, extent of work, etc.) – specify in your comment
- budget changes – specify in your comment (including the overall sum in EUR)
- changes to planned capacities (person-months) – specify in your comment
- changes to consortium composition (partners in the project) – specify in your comment
- other – specify in your comment

*Comment:*

**(3.3) Please describe any problems (if any) with the verification of the existence and legal status of your institution ('validation'), i.e. with obtaining the final PIC (Participant Identification Code).**

- None, this process had already been completed in the past during the validation of another project (i.e. the institution had already been validated and possessed the final PIC).
- None, the validation process was smooth.
- The validation process took too long.
- Unsatisfactory communication with the EC (long response times etc.).
- Other problem – specify in your comment.

*Comment:*

**(3.4) When was the consortium agreement ('CA') prepared and signed?**

	preparation	signature
Before the grant agreement was signed.	<input type="checkbox"/>	<input type="checkbox"/>
After the grant agreement was signed.	<input type="checkbox"/>	<input type="checkbox"/>
Before the project was started.	<input type="checkbox"/>	<input type="checkbox"/>
After the project was started.	<input type="checkbox"/>	<input type="checkbox"/>
I don't know/other – please specify in your comment.	<input type="checkbox"/>	<input type="checkbox"/>

*Comment:*

**(3.5) Please tick all options that reflect your experiences with the preparation of the consortium agreement.**

- The coordinator prepared the first CA text.
- The first CA text was well prepared.
- I did not comment on the CA.

- Sufficient time was provided for comments and for returning the CA to the coordinator (or to all partners).
- My additions and comments to the CA were mostly accepted.

*Comment:*

**(3.6) The majority of my comments and proposals were related to:**

- consortium organisation structure
- financial provisions
- intellectual property
- other – please list any other (negative or positive) experiences with the preparation of the consortium agreement in your comment

*Comment:*

**(4) PROJECT IMPLEMENTATION**

(IN RELATION TO THE EUROPEAN COMMISSION AND THE CONSORTIUM)

**(4.1) Please, describe your experiences with the EC and with the project and financial officers in particular (especially from the perspective of cooperation; did the officers immediately react to your inquiries?).**

*If you are not the coordinator (you do not know the answer), proceed to the next question.*

**(4.2) Which of the following options correspond with your experiences with reporting to the EC (i.e. with sending reports regarding project implementation)?**

*a) Report preparation*

- none/almost no problems
- internal problems within the consortium (e.g. one of the partners failed to provide necessary data in time, insufficient cooperation with the coordinator, etc.)
- not enough time for report preparation
- insufficient information from the EC regarding contents and submitting requirements
- technical problems with submitting the reports to the EC (related to online databases)
- other; please specify in your comment

*Comment:*

*b) Report approval by the EC*

- none/almost no problems
- EC asked for additional information
- EC found fulfilling of the project goals unsatisfactory
- EC refused to accept some costs reported in financial statement
- EC suspended payments because of an unapproved report
- EC sent payments after they were due
- other; please specify in your comment

*Comment:*

**(4.3) What is your experience with project amendments ('Grant Agreement Amendment') and with reporting these amendments to the EC?**

- There were no amendments to the project; the project went according to plan (Annex I/Consortium Plan).
- There was a change related to data about the institution in the URF (Unique Registration Facility), such as a change of address, name, legal status in compliance with the rules of FP7, method of accounting for indirect costs, etc.

*The project was amended in a way that did not require a report to the EC, and as such it was dealt with on the level of the consortium. The change consisted of:*

- change in originally planned person-months
- change in financial flows (i.e. budget transfers between categories, activities, or project partners)
- redistribution of project tasks between partners
- other; please specify in your comment

*The project underwent a change that caused the grant agreement to be formally amended (EC had to approve the proposed change). The change consisted of:*

- additional plans for subcontracts in the project
- resignation/acceptance of a partner during project implementation
- change of coordinator
- change of reporting period
- other; please specify in your comment

*Comment:*

**(4.4) Describe the methods of communication within the consortium.**

a) How often did personal meetings of ALL the partners take place?

- once every 18 months
- once every 12 months
- once every 6 months
- once every 3 months or more often
- other; please specify in your comment

*Comment:*

b) How often did the coordinator request reports regarding project implementation?

- once every 18 months
- once every 12 months
- once every 6 months
- once every 3 months or more often
- other; please specify in your comment

*Comment:*

c) What did reports requested by the coordinator consist of?

- fulfilment of project goals (Tasks, Objectives, Deliverables)
- drawing of person-months
- financial issues (drawing costs)
- arrangements for the protection of achieved results (patents, utility models, etc.)

- information about published articles
- other; please specify in your comment

*Comment:*

**(4.5) How would you describe your experience with the administrative burden related to FP7 project management?**

- It was necessary to employ an administrative force on at least a part-time basis. Please provide more details in your comment.
- Project administration was handled by the researchers (project investigators) and the regular infrastructure of the institution (administration department, common secretarial services, economic department, etc.).
- Project administration was handled by the researchers themselves (except accounting).
- other; please specify in your comment

*Comment:*

**(4.6) Compare the administrative burden related to the management of an FP7 project with that of national projects. The administrative burden in FP7 projects compared to national projects (such as Czech National Science Foundation grants, support programmes by ministries, etc.) is:**

- the same
- higher
- lower
- I don't know; I can't judge.

*Comment:*

**(4.7) Were there any disputes between the partners during the project implementation? If yes, provide more details, and explain how the disputes were resolved.**

- lack of activity of one of the partners
- insufficient quality of a partner's work
- financial issues
- distribution (exchange) of background and foreground between the partners
- communication within the consortium
- voting and decision-making issues
- expulsion of a partner
- there were no disputes during the project implementation
- other; please specify in your comment

*Comment:*

**(4.8) Please identify the most troublesome aspects of the project.**

*a) Financial issues*

- complicated and unclear financial rules and principles of FP7
- internal problems in organisation, i.e. insufficient support from relevant institution departments (accounting department, HR department, etc.) and non-existent internal organisation rules for FP7 projects
- reporting about personnel cost, i.e. identifying the amount of eligible personnel costs with regard to the rules of FP7 and the institution's usual practice

- tracking hours spent working on the project, i.e. filling in timesheets and recording productive hours
- use of subcontracts in the project, e.g. selection of subcontractors
- filling in financial statements (form C) in the NEF/FORCE online databases, i.e. technical problems, unclear forms, etc.
- occurrence/prevention of exchange rate losses
- financial cash flow, i.e. late payments by the EC to the coordinator's account, or by the coordinator to the individual partners
- other; please specify in your comment

*Comment:*

*b) Intellectual property issues*

- complicated rules of FP7 for handling foreground (FP7 IP rules)
- problems with negotiating licenses between the partners related to exchanges of background and foreground between the partners for the purpose of project implementation
- problems with negotiating agreements related to the use of foreground following the completion of the project (especially license agreements); problems could lie, e.g., in not following the FP7 IP rules
- problems with determining background brought into the project
- problems with ensuring the protection of foreground (e.g. filling patent applications, legal consulting, etc.)
- problems related to the provision of licenses (exclusive or non-exclusive) to foreground to third parties (not participating in the project) during the project implementation and its completion
- problems related to publications about project results (e.g. a partner published your foreground without obtaining a permission from you)
- other; please specify in your comment

*Comment:*

**(4.9) Were the research activities performed on schedule?**

- Everything was on schedule (apart from insignificant details).
- A greater part of the project was on schedule, but some research activities were lagging.
- The project generally reflected the schedule, but the majority of research activities were performed depending on circumstances and the project's development and not according to the schedule.
- Research activities were performed independently of the schedule.

*Comment:*

**(4.10) Were the planned scientific outputs achieved?**

- YES
- NO. Please, describe below if the situation was resolved.
- Cannot be determined yet.

*Comment:*

**(4.11) Is there a protection in place for project results (obtaining intellectual property rights)?**

	Yes	No	Don't know
No protection was applied (no plans to do so).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
We prefer keeping the project results secret.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
We prefer publishing and disseminating foreground.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

*Comment:*

**(4.12) Which IPR have been applied to protect project results and when? Tick when and for which kind of foreground application was/will be filled?**

*If the question is not relevant to your project (or you do not know the answer), proceed to the next question.*

	application submitted BEFORE project end	application submitted/will be submitted AFTER project end
patent	<input type="checkbox"/>	<input type="checkbox"/>
utility model	<input type="checkbox"/>	<input type="checkbox"/>
industrial model	<input type="checkbox"/>	<input type="checkbox"/>
trademark	<input type="checkbox"/>	<input type="checkbox"/>
other IPR; specify in your comment	<input type="checkbox"/>	<input type="checkbox"/>

*Comment:*

**(4.13) Describe the impact of FP7 projects on the institution.**

- recruitment of new administrative employees
- recruitment of new researchers
- retaining existing employees
- changes in the organisational structure of the institution (e.g. establishment of a new department, competence shift, etc.)
- changes in internal institutional rules or policies or the creation of new ones
- other; please specify in your comment

*Comment:*

**(5) PROJECT END AND AUDITS****(5.1) Did any project-related activities take place after the final project report was submitted? Describe complications in your comment (if any).**

- publication about foreground
- obtaining IPR protection
- technology transfer
- bringing the project results to market
- financial audit by the EC
- technical audit by the EC (review)

*Comment:*

**(5.2) Has the EC performed a financial audit? If yes, please fill out the following information. If not, proceed to the next question (5.3).**

a) *Who performed the financial audit?*

- External auditors appointed by the EC, i.e. Czech audit company on behalf of the EC (e.g. KMPG)
- auditors from the EC
- European Court of Auditors

*Comment:*

b) *How long was the financial audit (i.e. from the first contact to the auditor's final report)?*

c) *What, in your opinion, was the most problematic part of the whole process of the financial audit?*

- preparation (submission) of materials and information requested by the auditors
- the control itself on-the-spot
- communication with the auditors
- other; please specify in your comment

*Comment:*

d) *What was the result of the financial audit?*

- everything was in order
- minor findings resulting in the obligation to return the unjustified financial contribution from the EC of only a small amount (please, give the returned amount in your comment)
- significant findings resulting in the obligation to return the unjustified financial contribution from the EC (please, give the returned amount in your comment)
- identification of systemic error and subsequent recounting of all FP projects in the organisation (extrapolation)
- need to pay liquidated damage or penalty

*Comment:*

**(5.3) Has the EC performed a technical audit? If yes, please answer the following questions. If not, proceed to the next question (5.4).**

a) *Who performed the audit?*

b) *How long did the technical audit last (i.e. from the first contact to the auditor's final report)?*

c) *What, in your opinion, was the most problematic part of the whole process of the technical audit?*

- preparation (submission) of materials and information requested by the auditors
- control itself on-the-spot
- communication with the auditors
- other; please specify in your comment

*Comment:*

d) *What was the result of the technical audit?*

- everything was in order
- change in work plans in the technical annex of the Grant Agreement (Annex I)
- project termination due to unsatisfactory results
- findings and the obligation to return a part of the financial contribution
- other; please specify in your comment

*Comment:*

**(5.4) Please describe whether the expectations on intellectual property have been met (or do you expect them to be met): plan vs. results.**

	Yes	No
Premise of creating and gaining new results.	<input type="checkbox"/>	<input type="checkbox"/>
Acquiring access (free or for a small fee) to project results and other IPR (e.g. background brought into the project) of the partners.	<input type="checkbox"/>	<input type="checkbox"/>
Strengthening competitiveness.	<input type="checkbox"/>	<input type="checkbox"/>
New publication opportunities.	<input type="checkbox"/>	<input type="checkbox"/>
New opportunities for patenting or acquiring other IPR, thus expanding own portfolio of intellectual property.	<input type="checkbox"/>	<input type="checkbox"/>
Future financial profit from commercialisation and/or use of foreground created in the FP7 project.	<input type="checkbox"/>	<input type="checkbox"/>

*Comment:*

**(5.5) On the basis of your experiences, do you plan to participate in other projects of FP7?**

- Yes
- No
- I don't know; not my responsibility

*Comment:*

## ANNEX III: List of abbreviations



The list of respective priorities and their abbreviations under the discussed framework programme are given in the text.

<b>BRSG-SME</b>	Research for the benefit of specific groups – SME
<b>CA, CAs</b>	Consortium Agreement(s)
<b>COFUND</b>	Co-funding of Regional, National and International Programmes
<b>COPERNICUS</b>	Community Pan-European Research Networks of Eastern European Countries
<b>CORDIS</b>	Community Research and Development Information Service (available at <a href="http://cordis.europa.eu/">http://cordis.europa.eu/</a> )
<b>COST</b>	European Cooperation in the field of Scientific and Technical Research
<b>CSA</b>	coordination and support action
<b>CZ</b>	Czech Republic / Czech
<b>CZELO</b>	Czech Liaison Office for Research and Development
<b>CZK</b>	Czech Crown (currency)
<b>DG RTD</b>	Directorate-General for Research, now for Research and Innovation
<b>EC</b>	European Commission (and its executive agencies)
<b>EC CVT</b>	EC Central Validation Team
<b>ECU</b>	European Currency Unit
<b>EPSS</b>	Electronic Proposal Submission Service
<b>ERA</b>	European Research Area
<b>ERANET</b>	Cooperation and coordination of research activities carried out at national or regional level (FP6). ERANET Plus introduced in FP7 also offers co-funding.
<b>ERC</b>	European Research Council (projects conducted within the priority SP Ideas)
<b>ESPRIT</b>	European Strategic Programme for Research and Development in Information Technologies
<b>EU</b>	European Union
<b>EU-15</b>	Old Member States of the EU
<b>EU-27</b>	EU Member States
<b>EUR</b>	Euro (currency)
<b>EURATOM</b>	European Atomic Energy Community
<b>FORCE</b>	Web-based tool to edit and submit Forms C
<b>FP, FPs</b>	Framework Programme(s)

<b>FP1</b>	First Framework Programme
<b>FP2</b>	Second Framework Programme
<b>FP3</b>	Third Framework Programme
<b>FP4</b>	Fourth Framework Programme
<b>FP5</b>	Fifth Framework Programme
<b>FP6</b>	Sixth Framework Programme
<b>FP7</b>	Seventh Framework Programme of the European Community for research, technological development and demonstration activities (2007–2013)
<b>FP7 FIN</b>	Czech website specialising in the financial issues of FP7, available at <a href="http://www.fp7.cz/cz/vice-o-financovani-7rp/">http://www.fp7.cz/cz/vice-o-financovani-7rp/</a> .
<b>FTE</b>	full-time equivalent
<b>GA</b>	Grant Agreement
<b>GDP</b>	Gross Domestic Product
<b>GERD</b>	gross domestic expenditures for R&D
<b>HES</b>	secondary and higher education establishment / universities
<b>ICPC</b>	International Cooperation Partner Countries
<b>ICT</b>	Information and communication technologies
<b>IEF</b>	Intra-European Fellowships for Career Development
<b>IGLO</b>	Informal Group of RTD Liaison Offices
<b>INCO</b>	International Cooperation
<b>IND</b>	industry (large private companies) sector (excluding SME)
<b>IP</b>	intellectual property
<b>IPR</b>	intellectual property rights
<b>IRSES</b>	International Research Staff Exchange Schemes
<b>IT</b>	information technology/technologies
<b>L&amp;F NCPs</b>	Legal and Financial National Contact Points
<b>LEAR</b>	Legal Entity Appointed Representative
<b>MEYS</b>	Ministry of Education, Youth and Sports of the Czech Republic
<b>MGA</b>	Model Grant Agreement
<b>NCP, NCPs</b>	National contact point(s)
<b>NEF</b>	Negotiation Facility/Forms
<b>NICER</b>	National Information Centre for European Research
<b>NINET</b>	Czech National Information Network for EU Framework Programmes
<b>OP RDI</b>	Operational Programme Research and Development for Innovations
<b>OTH</b>	other
<b>PECO</b>	Pays d'Europe Centrale et Orientale (countries of Central and Eastern Europe)
<b>PIC</b>	Participant Identification Code
<b>PP</b>	Participant Portal
<b>PRC</b>	private company / private sector
<b>PUB</b>	public sector
<b>REC</b>	research organisations (non-profit research sector)
<b>RfP</b>	Rules for Participation
<b>RTD</b>	research, technology and development
<b>S/T</b>	scientific and/or technical

<b>SME, SMEs</b>	small and medium-sized enterprise(s)
<b>SP, SPs</b>	Specific Programme(s)
<b>TC ASCR</b>	Technology Centre of the Academy of Sciences of the Czech Republic
<b>URF</b>	Unique Registration Facility
<b>VAT</b>	Value Added Tax

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## About the authors



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## About the TC ASCR



The Technology Centre of the Academy of Sciences of the Czech Republic (TC), established as an independent legal entity in 1994, is the National Information Centre for European Research. It supports start-ups and development of high-tech enterprises and participates in various projects. It works on strategic studies focused on perspectives of research and development, new technologies and innovation strategies, and it is engaged in technology transfers.

### **National Information Centre for European Research**

The Technology Centre manages the National Information Centre for European Research (NICER), providing services to Czech research organisations and innovative companies in order to facilitate their participation in the EU Framework Programmes. A team of national contact points (NCPs) organises information workshops and trainings and offers professional consulting services to individual research teams for preparing international research projects and their financial and legal management. Furthermore, it distributes information via regular publishing of the Echo magazine, brochures, leaflets and other publications and administers the [www.fp7.cz](http://www.fp7.cz) website.

The Technology Centre is an integral part of the European NCP network; it cooperates with the National Information Network for the Framework Programmes (NINET), the European Commission and representatives of the Czech Republic in Programme Committees of the European Framework Programmes, and thus contributes to efforts to build relations between entities in the Czech Republic and the European Research Area.

The Technology Centre closely cooperates with the Ministry of Education, Youth and Sports (Department for International Cooperation in R&D), especially on preparing position papers or monitoring the Czech Republic's participation in the European Framework Programmes. For example, the Technology Centre recently coordinated the preparation of a Czech position paper on the simplification of the implementation of the European Framework Programmes and the preparation of a future one.

The Technology Centre is a member of the European Association of Research Managers and Administrators (EARMA) and was, for example, actively involved in the preparation of the EARMA's position paper on the Simplification Measures in the Framework Research Programmes.

### **Czech Liaison Office for Research and Development (CZELO)**

The Technology Centre operates the Czech Liaison Office for Research and Development in Brussels, which aims to support successful participation of Czech researchers in the European Framework Programme. It provides targeted information, facilitates meetings of Czech researchers with relevant officers of the European Commission, organises information days about Czech research and development for European institutions (European Parliament, European Commission, EU Council and others) and provides basic support infrastructure and assistance for meetings of Czech researchers with potential project partners in Brussels.

### **Strategic Studies and Projects**

The Technology Centre collaborates with the state administration on the preparation of strategic documents influencing the direction of research, development and innovation policies and related documents. For this purpose, the Technology Centre works on analytical and outlook studies in the area of RDI, which are then published in professional literature and used by the state administration and regional municipal authorities. The Technology Centre completed, for example, two fundamental studies – the Green and White Papers on R&D and Innovation in the Czech Republic, which have become the main background documents for the governmental reform of the Czech RDI system and for the new National RDI Policy 2009–2015. Furthermore, the Technology Centre coordinated two consecutive rounds of national foresight initiatives aimed at identifying national research priorities. In cooperation with the Senate of the Parliament of the Czech Republic, a comprehensive Analysis of Innovation Potential of Czech Regions has been completed.

In addition, the Technology Centre develops methodologies used for the preparation and implementation of RDI policies, such as evaluations of research and development, technological foresight, thematic and systemic priorities etc.

The Technology Centre also participates intensively in international cooperation in the area of RDI policy activities and projects. The Technology Centre is a member of the European Techno-Economic Policy Support Network (ETEPS) coordinated by the Joint Research Centre of the European Commission, cooperates with leading foreign institutions in the Erawatch project and organises, in cooperation with the UNIDO, international training courses aimed at educating experts in research and innovation policies and techno-economic foresight.

### **Innovation and Technology Transfer**

Support of international technology transfer is one of the core activities of the Technology Centre ASCR. We contribute to the introduction of innovations and implementation of R&D results on an international level. New innovative technologies developed by Czech research institutions or companies are being successfully adopted by foreign entities, and foreign R&D results are being applied in the Czech industry. This provides a significant boost for the competitive ability of the Czech economy.

The Technology Centre ASCR has performed activities connected with international technology transfer since the very beginning of its existence. The Technology Centre ASCR is a member of the European Innovation Relay Centre network,

which has supported international technology and knowledge transfers, mainly between European research and industrial entities, for over 10 years. Since 2008, the Technology Centre ASCR has been coordinating a Czech consortium of partners as a part of the new extensive international “Enterprise Europe Network”. The network’s initiatives are chiefly focused on SMEs, with the goal to facilitate their development and optimal positioning on international markets in the area of innovations, technology and knowledge transfer and others.

The active assistance of the Technology Centre ASCR in the transfer of R&D results and technologies between research and industrial entities on an international scale helps Czech companies efficiently utilise their knowledge and technological potential as well as improve their position on international markets. Such activity represents a significant contribution to the effort to raise the innovation potential of the entrepreneurial sector, which is considered one of the prerequisites of a successful economic development.

### **Business Incubator**

The business incubator operated by the Technology Centre supports innovative enterprises in early stages of their development. The incubator provides mixed space of laboratories and offices. It also provides space for small workshops. Its primary focus is on companies active in energy technologies, IT and new materials.

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