



Black Box Transparency – Insights into ERA-NET COFUND

Roland Brandenburg, FFG

Master Class “ERA-NET Cofund Actions - tools and methods for efficient
call management”

7 June 2017, Copenhagen

❖ ERA-NET COFUND: Financial Aspects

- ❖ General aspects
- ❖ Eligible costs and funding
- ❖ Implementation costs

❖ A practical example: M-ERA.NET 2

- ❖ distribution of unit costs
- ❖ distribution of EC top-up funding

❖ Lessons learned

- ❖ Eligible costs of beneficiaries
- ❖ EC Top-up calculation

❖ Support by ERA-LEARN 2020

- ❖ Tools
- ❖ Workshop



ERA
LEARN
2020

ERA-NET COFUND: Financial Aspects

ERA-NET COFUND: general financial aspects (1)

Option 1:

1 cofunded call (contribution in cash) only

no additional joint activities during 5 years:

→ EC contribution = top-up funding for the 1 cofunded call

Option 2:

1 cofunded call (cash-based)

+ additional joint activities (e.g. other joint calls):

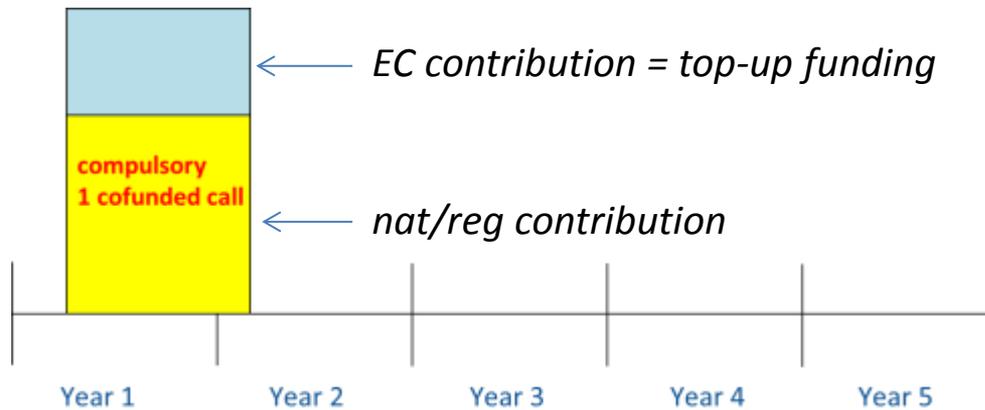
→ EC contribution = a) top-up funding for the 1 cofunded call

+

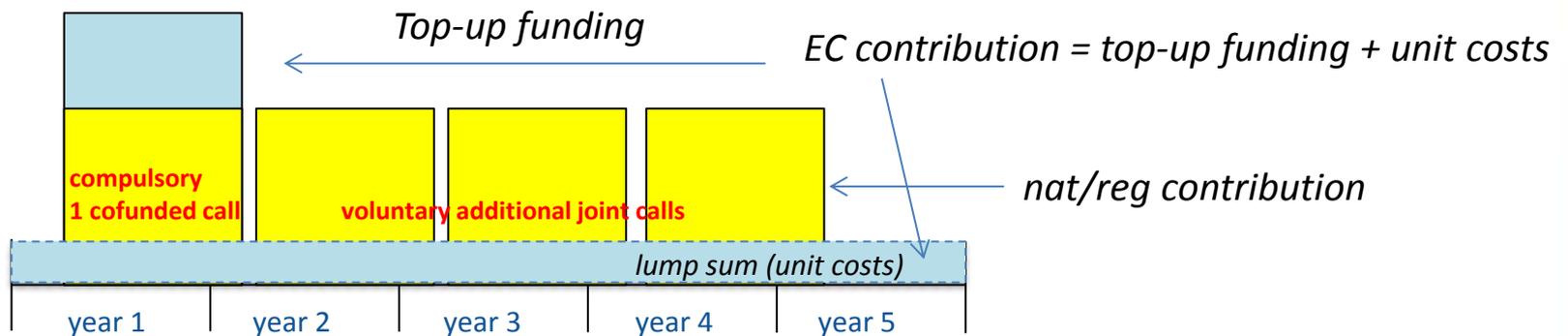
b) lump sum (unit costs) for additional joint activities

[**Option 3:** 1 cofunded call (contribution in kind) ... only in exceptional cases] – more information in “In-Kind/ Institutional ERA-NET-COFUND-Projects”-Presentation (<https://www.era-learn.eu/manuals-tools/p2p-in-h2020/practical-documentation>)

Option 1: 1 cofunded call only , no other activities during 5 years



Option 2: 1 cofunded call + additional joint activities (e.g. other joint calls)



ERA-NET COFUND: eligible costs and EC contribution (1)

- ❖ The (final) EC contribution is calculated on the basis of the (final) eligible costs.
- ❖ There are 3 types of eligible costs:
 - a) direct costs related to transnational projects;
 - b) direct coordination costs for additional activities;
 - c) indirect costs.

a) = the total funding transferred to the transnational projects funded from the 1 cofunded call

b) = a lump sum of 29.000 € per beneficiary per year (so-called Unit Costs) if a beneficiary is involved in additional activities

c) = a flat rate of 25% on top of the Unit Costs b)

ERA-NET COFUND: eligible costs and EC contribution (2)

The EC contribution is max. 33% (*or less!*) of the total eligible costs.

❖ Example without additional activities:

Beneficiary	Direct costs of providing financial support to third parties related to transnational projects	Total eligible costs	Reimbursement rate	EC contribution
1	2.000.000	2.000.000	33%	660.000
2	2.000.000	2.000.000	33%	660.000
3	2.000.000	2.000.000	33%	660.000
4	2.000.000	2.000.000	33%	660.000
5	2.000.000	2.000.000	33%	660.000
Total	10.000.000	10.000.000		3.300.000

❖ Example with additional activities:

Beneficiary	Direct costs of providing financial support to third parties related to transnational projects	Units (ie. years)	Total Unit Costs	Indirect costs	Total eligible costs	Reimbursement rate	EC contribution
1	2.000.000	5	145.000	36.250	2.181.250	33%	719.813
2	2.000.000	5	145.000	36.250	2.181.250	33%	719.813
3	2.000.000	5	145.000	36.250	2.181.250	33%	719.813
4	2.000.000	5	145.000	36.250	2.181.250	33%	719.813
5	2.000.000	5	145.000	36.250	2.181.250	33%	719.813
Total	10.000.000	25	725.000	181.250	10.906.250		3.599.063

ERA-NET COFUND eligible costs and EC contribution (3)

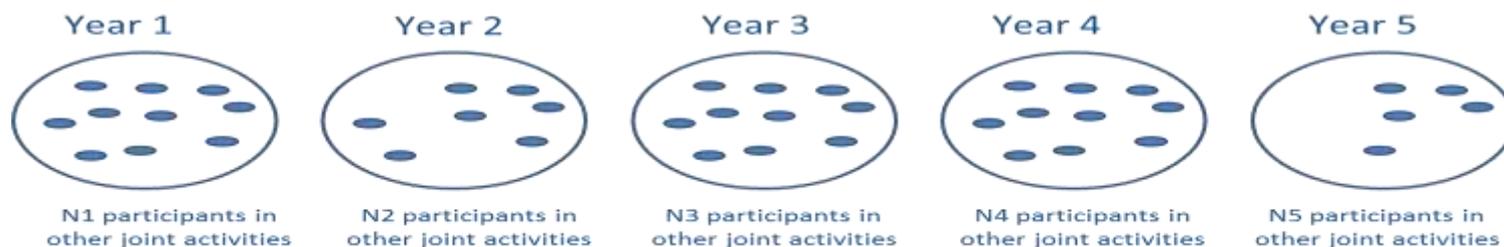
Some third countries (high-income countries) can participate but their commitments are not considered for calculating the EC contribution¹. Structural funds (ESIF) are also not eligible for EC top-up funding. Example:

national commitment AUSTRIA (<i>EU member</i>)	1.340.000 €
regional commitment BELGIUM-WALLONIA (<i>EU member</i>)	1.340.000 €
national commitment FRANCE (<i>EU member</i>)	1.340.000 €
national commitment SOUTH AFRICA (<i>third country eligible for EC funding</i>)	1.340.000 €
regional commitment (<i>struct.funds</i>) REGIONE CALABRIA (<i>EU member but uses ESIF</i>)	1.000.000 €
national commitment SWITZERLAND (<i>third country not eligible for EC funding</i>)	1.000.000 €
national commitment TURKEY (<i>H2020 associated state</i>)	1.340.000 €
national commitment USA (<i>third country not eligible for EC funding</i>)	1.000.000 €
→ total national/regional commitments	9.700.000 €
but: total funding EU members + associated states + elig. 3rd countr.	6.700.000 € (=67%)
→ max. EC contribution (based on EU MS + AS + elig. 3rd c.)	3.300.000 € (=33%)
Total contributions EU MS + AS + elig. 3rd c. + EC top-up	10.000.000 € (=100%)
Total call budget	13.000.000 €

→ to receive an EC contribution of 3.3 M€ the national/regional committed funding from EU members + associated states + eligible third countries must be at least 6.7 M€.

ERA-NET COFUND: Unit Cost calculation (1)

- Unit costs for additional activities = 11,962.50 € per 1 partner per 1 year
→ the max amount per partner in a 5-year ERA-NET COFUND is therefore $5 \times 11,962.50 \text{ €} = 59,812.50 \text{ €}$ assuming that this partner participates in other joint activities every year during 5 years
- For a consortium of N partners, the overall theoretical maximum amount of “unit costs” during 5 years is therefore $N \times 59,812.50 \text{ €}$.
- The reimbursement of coordination cost is limited to those beneficiaries that carry out activities that go beyond the co-funded call; depending on the real (reported) number of participations in additional activities the total could be less



$$\text{total eligible "unit costs"} = (N1+N2+N3+N4+N5) \times 11962.5 \text{ EUR}$$

EC rule: the total amount used for coordination of additional joint activities cannot exceed 20% of the total EC contribution

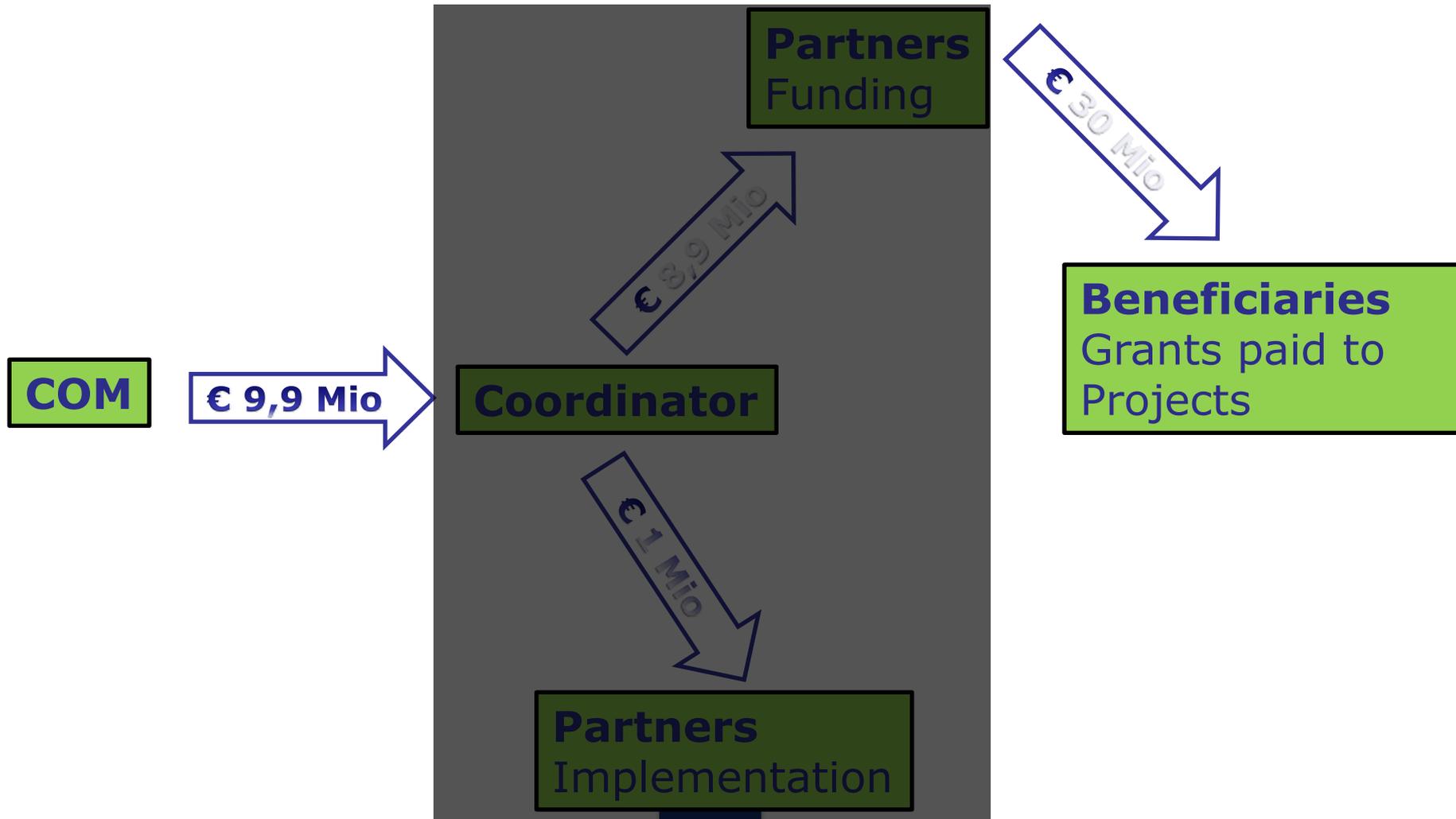
Example M-ERA.NET 2:

- EC contribution = 12,750,000.00 €
- Max amount available as “unit costs” (=20%) = 2,550,000.00 €
- check: 41 beneficiaries = max. $41 \times 59812.50 \text{ €} = 2,452,312.50 \text{ €}$ (assuming that all 41 partners participate in additional joint activities every year) → total unit costs = 2,452,312.50 € < 2,550,000.00 € → OK ✓

ERA-NET COFUND: Use of EC contribution (1)

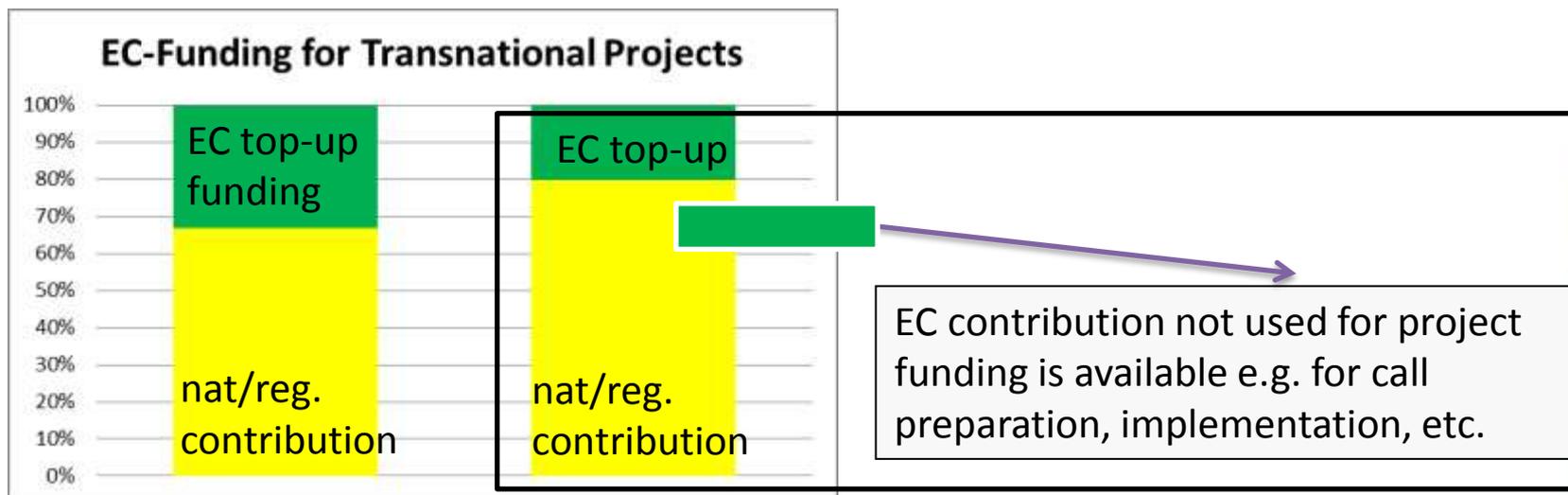
- ❖ The maximum EC contribution **cannot exceed** the absolute amount defined in the Grant Agreement but it **can actually become less** than 33% depending on the absolute national/regional contributions.
- ❖ The calculation of the EC contribution is always based on the eligible costs but **the actual use of the EC contribution is up to the consortium.**
- ❖ The practical terms of using the EC contribution - “black box” – have to be defined in the Consortium Agreement.
- ❖ The consortium can decide to use part of the EC contribution to cover the implementation cost of the ERA-NET COFUND; in this case the EC funding rate related to transnational projects will decrease correspondingly; the gap has to be filled with additional national/regional project funding.

Example: cash-flow



Example (without additional activities):

	€	%	€	%
Nat/reg funding spent on transnational projects	6.700.000	67%	7.500.000	75%
EC top-up funding for transnational projects	3.300.000	33%	2.500.000	25%
Total	10.000.000	100%	10.000.000	100%
EC top-up available to cover implementation costs	0		800.000	



Don't mix up the basis for the EC contribution (ie. the eligible costs) and the use of the EC contribution.

ERA-NET COFUND: Implementation costs

- ❖ It is up to the consortium to agree on how to cover the implementation costs
- ❖ ERA-LEARN has identified 4 main models which are in use by ERA-NET COFUND networks
- ❖ These 4 options are included in the template for an ERA-NET COFUND Consortium Agreement

ERA-NET-COFUND: Implementation costs and use of EC funding

Overview:

4 main options have been identified/applied by consortia:

- ❖ **Option 1:** Only a defined group of parties may claim implementation costs. The EC contribution for Unit costs and the related indirect costs will be paid to each of the parties according to their involvement in additional activities.
- ❖ **Option 2:** Costs of each party are calculated. These costs are subtracted from the EC contribution .
- ❖ **Option 3:** Each of the parties contributes with its Unit Costs and a specific additional agreed budget to the implementation costs
- ❖ **Option 4:** Implementation costs are covered with the EC contribution (Unit costs and EU-Top-up), travel/subsistence budget is foreseen for attending network meetings; reserve fund for additional activities



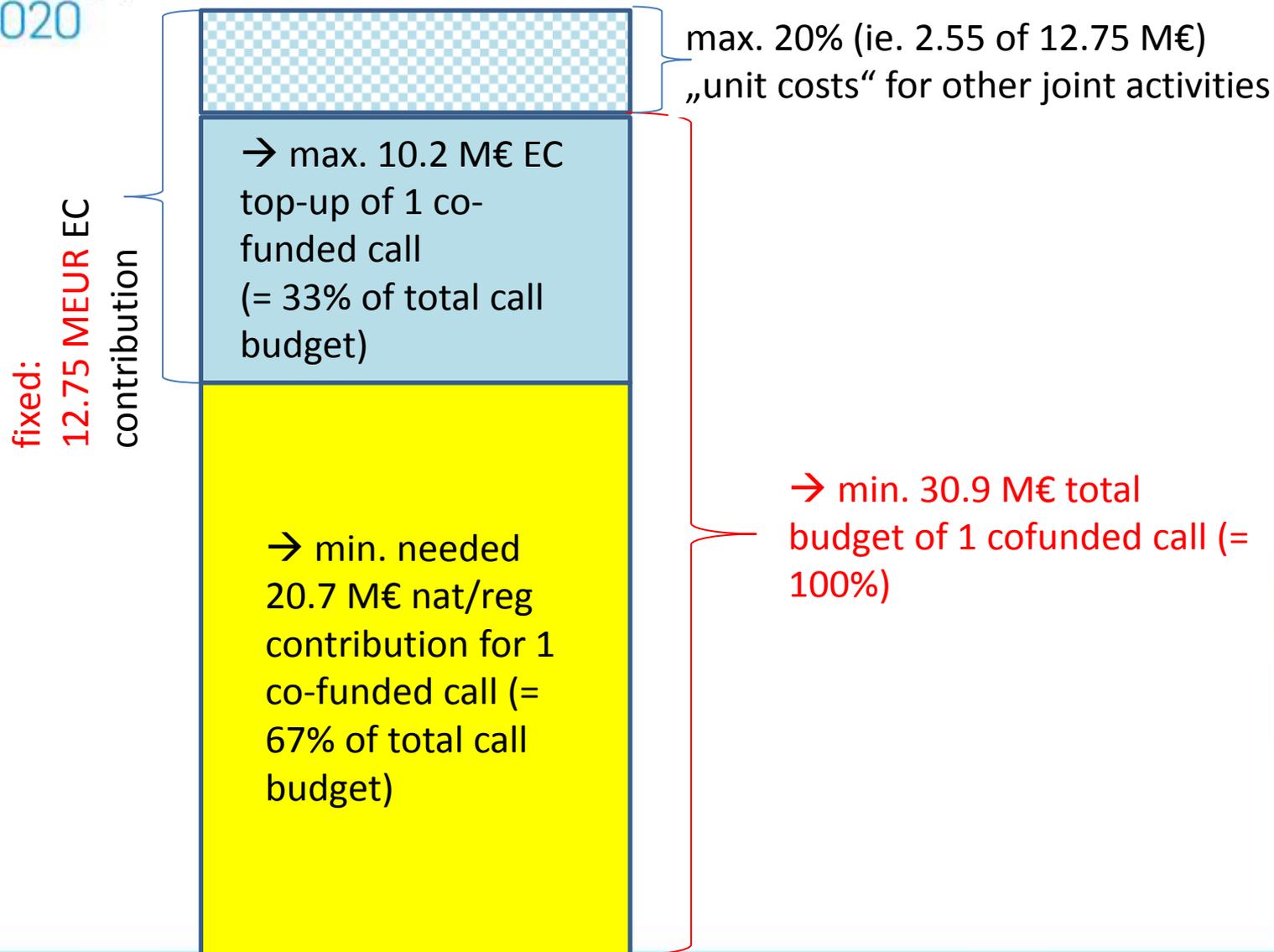
A practical example: M-ERA.NET 2

Example: M-ERA-NET 2 ERA-NET COFUND for materials research and innovation

- ❖ 3/2016-2/2021
- ❖ EC contribution 12.75 mio €
- ❖ 1 cofunded call with EU top-up + additional joint activities;



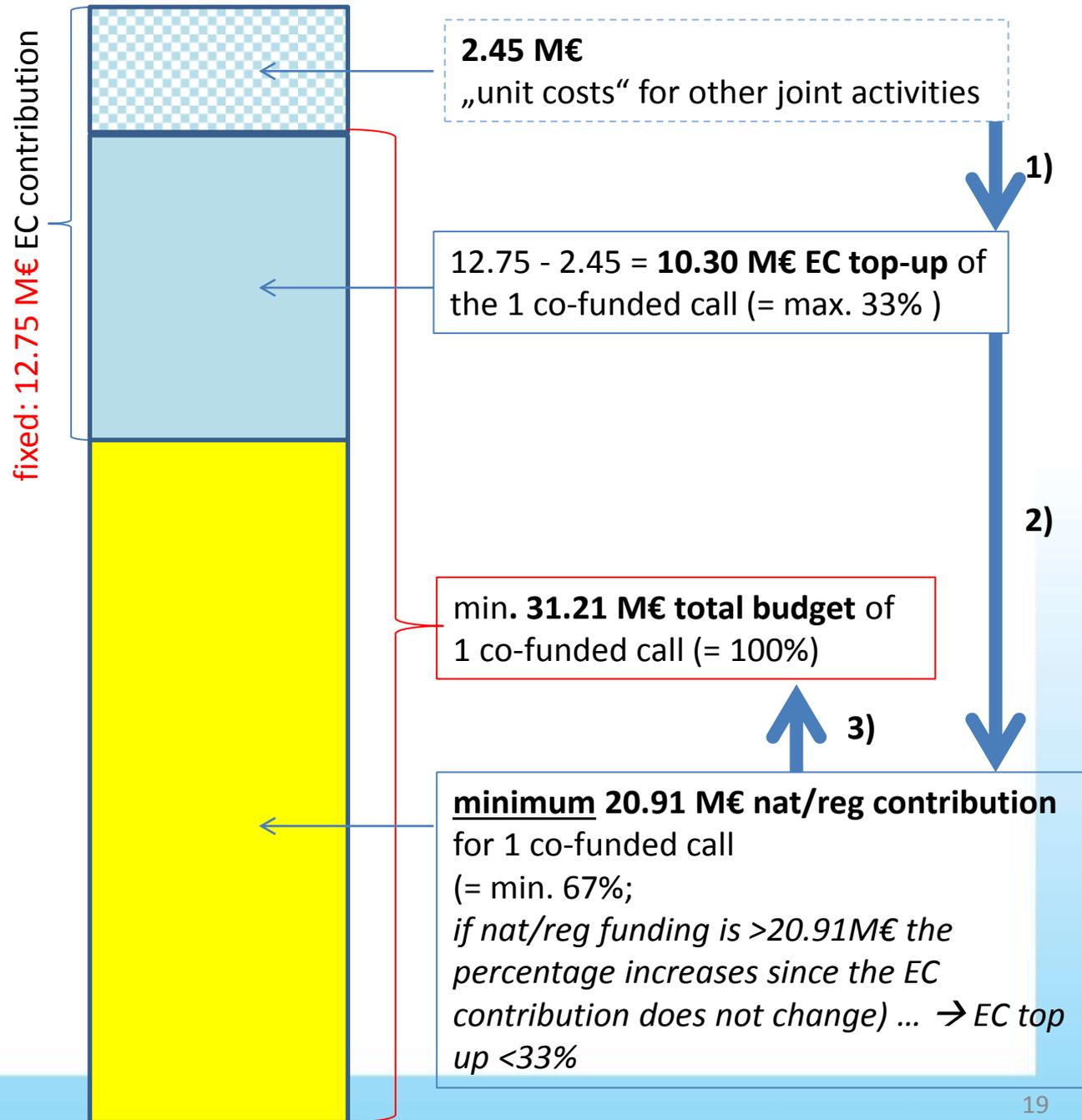
NMP-14-2015 (M-ERA.NET 2): fixed max. 12.75 M€ EC contribution



Scenario 1:

- consortium of 41 partners;
- all 41 partners participate in other joint activities every year during 5 years

→ total unit costs =
 $41 \times 5 \times 11962.50 \text{ €} =$
= 2.45 M€

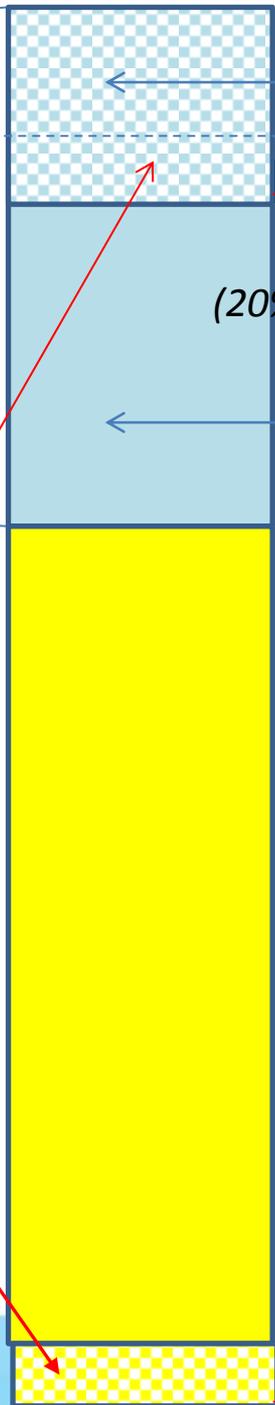


Scenario 2:

the consortium needs more resources for coordination than the 20% limit

→ borrow extra resources (e.g. 1 M€) for coordination from EC top-up and replace the same amount with nat/reg RTD funding

fixed: 12.75 M€ EC contribution



(20% limit)

really needed **>2.45 M€** „unit costs“ for other joint activities

→ borrow e.g. 1 M€ of EC top-up for coordination of other joint activities



$10.30 - 1 = 9.30$ M€ EC top-up of 1 co-funded call (= 29.9%)

2)

31.21 M€ total budget of 1 co-funded call (= 100%)

$20.91 + 1 = 21.91$ M€ nat/reg contribution for 1 co-funded call (= 70.1%)



3)

add 1 M€ nat/reg RTD funding

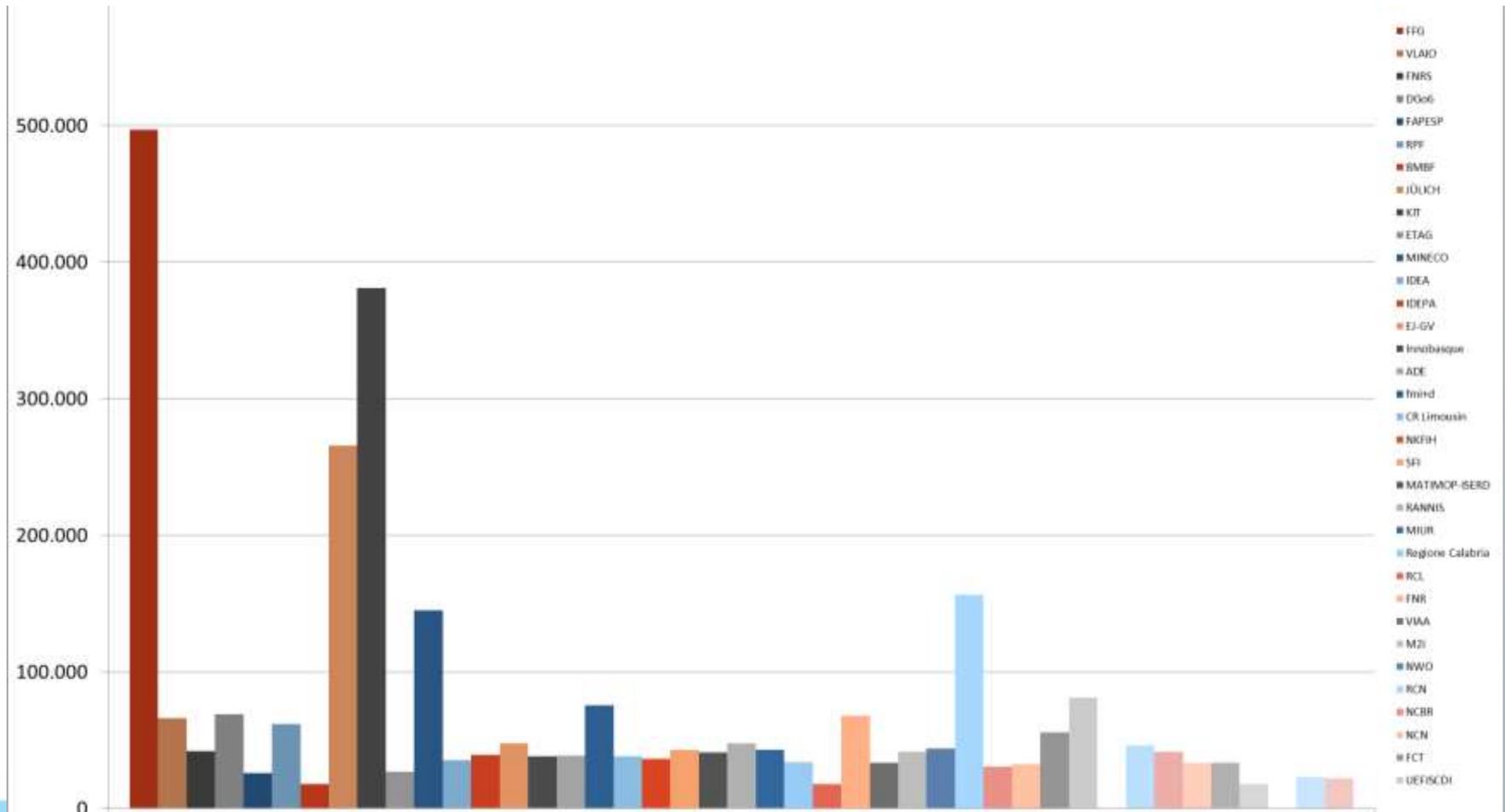
M-ERA.NET 2 (2016-2021): main financial figures

Calculation of available EC top-up funding for transnational projects and EC contribution for additional activities	
Total EC contribution according to Grant-Agreement	€ 12.750.000
Number of Units calculated for additional activities according to Grant-Agreement (41 partners, 5 years)	205
Max EC contribution for additional activities (unit costs)	€ 2.452.313
Max EC top-up funding for Call 2016	€ 10.297.688
estimated M-ERA.NET 2 (2016-2021) implementation costs (Consortium Agreement), of which € 2.452.313 will be covered by EC contribution (unit costs)	€ 2.892.010
minimum extra budget needed to cover M-ERA.NET 2 (2016-2021) implementation costs (= € 2.892.010 - € 2.452.313)	€ 439.698

to be decided by consortium: how to cover the gap between EC unit costs and real implementation costs

distribution of EC contribution –unit costs

→ the consortium decides how to share the EC units among the partners
(large efforts = large resources, small efforts = small resources)



Additional activities: internal reporting of Unit Costs

EC Rule: Adequate records and other supporting documentation to prove the number of units declared are needed.

- The consortium has to report on the involvement of the beneficiaries in additional activities

If a beneficiary is not involved in the additional activities unit cost cannot be declared.

The EC funding related to Unit Costs is paid together with the EC Top-Up funding (1st Pre-financing , 2nd Pre-financing, Payment of the balance)

Current Practice: ERA-NET COFUND developed reporting forms for the consortium to report on the involvement in additional activities or has a clear overview who participated in the additional calls

Most common: mixed mode

the EC top-up is used both as a virtual and as a real common pot

→ fixed return AND gap filling

Examples:

80% of EC contribution is used to top-up nat/reg budgets by a constant factor (virtual common pot)	20% of EC contribution is used to fill gaps (real common pot)
65% of EC contribution is used to top-up nat/reg budgets by a constant factor (virtual common pot)	35% of EC contribution is used to fill gaps (real common pot)
25% virtual common pot	75% of EC contribution is used to fill gaps (real common pot)

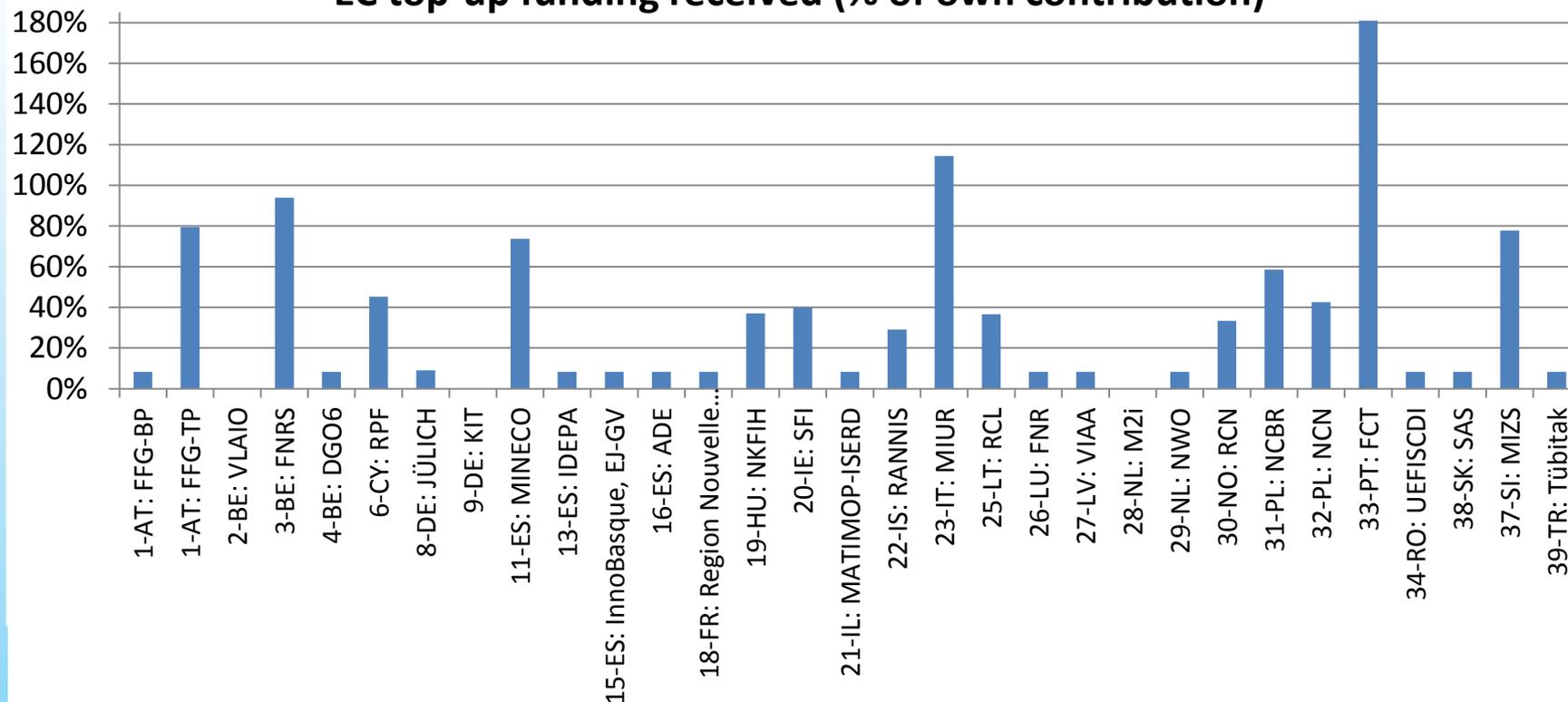
→ the consortium decides which proportion is likely to deliver the most convenient result (=max. number of funded proposals AND fixed return)

Decision: mixed mode: 75% of the requested EU top-up funding is used for gap filling (real common pot) and 25% of the requested EU top-up funding is used to top-up individual budgets (fixed return)

minimum extra budget needed to cover M-ERA.NET 2 (2016-2021) implementation costs	€ 439.698
---	-----------

Mixed mode 75/25 → EC top-up available to cover minimum extra budget needed for M-ERA.NET 2 (2016-2021) implementation costs	€ 979.497
--	-----------

EC top-up funding received (% of own contribution)





ERA
LEARN
2020

Lessons learned

ERA-NET COFUND lessons learned & practical examples –financial issues

- ❖ some beneficiaries are not actually transferring the funds to the transnational projects – ie. do not have eligible costs ! → need amendment to include the relevant organisations
- ❖ some beneficiaries use structural funds or loans but do not communicate this until very late → not eligible for EU top-up, cannot be included in the top-up calculation
- ❖ Beneficiary is research organisation and does not fund transnational projects itself (use the EC top up for own organisation) – only possible in in-kind ERA-NET Cofunds
- ❖ Beneficiary is added to the consortium after the cofunded call is announced -not allowed
- ❖ Beneficiary mix up old ERA-NET calculation (CSA) with ERA-NET COFUND– personal costs, travel cost etc. not eligible

ERA-NET COFUND lessons learned & practical examples –financial issues

- ❖ a transnational project cannot be funded by one of the beneficiaries after the final ranking list is set – creates gap in ranking list
- ❖ tight calculations with 20% limit of unit costs –could be less than expected if selection list is shorter than expected
- ❖ if national payments to funded projects are made after the H2020 Cofund contract has ended these costs are not eligible for top-up – careful with project extensions!
- ❖ Certificate on the Financial Statement (= audit certificate) is needed if more than 984.849 € are paid to transnational projects by a beneficiary irrespective of how much EC top-up is received by the beneficiary

ERA-NET COFUND recommendations –financial issues

- ❖ agree on detailed rules for distribution of EC top-up before launching the cofunded call – but keep some flexibility!
- ❖ make sure national/regional budgets are adequate; aim at high budgets to claim entire EC contribution, include safety buffer
- ❖ make sure that selection list has maximum length, include reserve list



Insights into ERA-NET COFUND - Support by ERA-LEARN

Tools on financial issues:

ERA-NET COFUND: Guidelines & Practical Documentation

<https://www.era-learn.eu/manuals-tools/p2p-in-h2020/practical-documentation>

includes

- ❖ Overview presentation on general principles (updated Oct. 2016)
- ❖ Explanation regarding EC-TOP-Up Distribution (updated Oct. 2016)
- ❖ Calculating Unit Costs (updated Oct. 2016)
- ❖ Implementation Costs (updated Oct. 2016)
- ❖ Financial Risks and Risk Mitigation (updated Oct. 2016)
- ❖ an Excel File for the coordinator's liquidity planning (updated Jan 2016)
- ❖ [a tool for distributing the EC-TOP-UP \(April 2017\)](#)



Workshop: Implementing ERA-NET COFUND

Workshop: Implementing ERA-NET COFUND 21-22 Sep 2017, Berlin

- ❖ guidance for new ERA-NET COFUND coordinators and core partners
- ❖ in depth presentation of ERA-NET COFUND scheme
- ❖ Interactive Group Work sessions - management and financing of the consortium, the implementation of a cofunded call

<https://www.era-learn.eu/events/implementing-era-net-cofund-berlin>

- ❖ ERA-NET COFUND: Guidelines & Practical Documentation:
<https://www.era-learn.eu/manuals-tools/p2p-in-h2020/practical-documentation>
- ❖ ERA-NET COFUND: FAQ:
http://ec.europa.eu/research/participants/docs/h2020-funding-guide/cross-cutting-issues/era-net_en.htm



Contact

Roland Brandenburg
FFG - Austrian Research Promotion Agency

office@era-learn.eu

www.era-learn.eu