

PROVISIONS FOR IMPLEMENTING INTEGRATED PROJECTS

Background document

**This is a practical guide on the provisions for implementing integrated projects
in the Sixth Framework Programme.**

**This document, together with practical guides on other instruments and other
relevant documents, including a link to the model contract, is available on the
Europa website:**

http://europa.eu.int/comm/research/fp6/instruments_en.html

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1. GENERAL ASPECTS

1.1. Purpose

The integrated project is the instrument being designed to generate the knowledge required to implement the priority themes. It will do that by integrating together the critical mass of activities and resources needed to achieve ambitious clearly defined scientific and technological objectives. Each integrated project should be aimed at obtaining specific results relevant either to increasing the impetus to Europe's competitiveness or to addressing major societal needs. Its objectives may include more long-term or "risky" research.

The integrated project is thus an instrument to support objective-driven research, where the primary deliverable is new knowledge. Of course, by mobilising a critical mass of resources, integrated projects can also be expected to have a structuring effect on the fabric of European research.

Integrated projects will be used throughout the priority themes. They may also be used, in certain duly justified cases, in other research areas supporting Community policies and anticipating scientific and technological needs (the so called 8th priority), when the objective in question can be better achieved by this means.

1.2. Meaning of integration

The detailed **internal architecture** of an integrated project will depend on the complexity and scope of the project, the topic it addresses, and the managerial approach taken. It should comprise **a coherent set of component parts**, often in the form of sub-projects implemented in close co-ordination, which may vary in size and structure according to the tasks to be carried out, each dealing with different aspects of the overall project implementation plan needed to achieve its agreed objectives.

Integration may take several forms:

Vertical integration of the full "value-chain" of stakeholders from those involved in knowledge production through to technology development and transfer. Principal stakeholders, including users, should be involved and help gear the project towards attaining the expected impact.

Horizontal integration of a range of multidisciplinary activities.

Activity integration: integrating various research activities from across the full research spectrum with each other and with other types of activity, including take-up activities, protection and dissemination of knowledge, training, etc, as appropriate.

Sectoral integration of actors from private and public sector research organisations, and in particular between academia and industry, including SMEs.

Financial integration of public and private funding, with overall financing plans that may involve the European Investment Bank and co-operation with EUREKA.

1.3. Scale of the critical mass

Integrated projects are distinguished by the scale of ambition in terms of their research objectives and their expected impact. Each is expected to assemble the necessary critical mass of activities, expertise and resources to achieve its ambitious objectives.

Critical mass could differ widely in scale from field to field and possibly also from topic to topic inside a field. The over-riding criterion for judging critical mass will therefore simply be the qualitative one that an integrated project must have ambitious objectives and must mobilise whatever activities and resources are needed to achieve those objectives.

The value of the activities integrated by a project is expected to range up to many tens of millions of euros. However, there will be no minimum threshold, provided of course that the necessary ambition and critical mass are there.

1.4. Size of the consortium

There must be a minimum of three participants (see Section 1.6) from three different Member States or Associated States, of which at least two shall be Member States or Associated candidate countries. However, in practice, there are likely to be substantially more participants and probably somewhat more, on average, than the figure of nine seen in the RTD projects of FP5. The relevant call for proposals may specify a higher minimum number of participants.

It should be noted however that not all future members of the consortium need be identified at the time the proposal is made. (It could, however, damage the evaluation prospects of a proposal if key members of the proposed consortium are missing). The agreed budget for a project may therefore contain a part set aside for a participant or participants that have not been identified when the contract is negotiated.

1.5. Duration

Integrated projects are expected to have a duration of typically three to five years. However, there will be no maximum, so a longer duration could be accepted if it is necessary to deliver the objectives of a project.

1.6. Participants

A **participant** means a legal entity contributing to the project and having rights and obligations with regard to the Community under the terms of the contract. Legal entities participating in integrated projects will be primarily organisations active in the research field: enterprises, whatever their size, research institutes and universities.

The following may also participate in integrated projects:

- organisations that possess specific competence in management, dissemination and transfer of knowledge;
- potential users and other stakeholders.

A European Economic Interest Grouping (or any legal entity established in a Member State or Associated State made up of independent legal entities) may be the sole participant provided its composition is in accordance with the conditions fixing the minimum number of participants.

International European Interest Organisations (IEIO) and the JRC participate under the same conditions as legal entities from Member States.

Integrated projects will be open to the participation of entities from non-associated third countries, with special provisions for possible Community financial support for entities belonging to certain groups of countries (see Annex I).

1.7. SME participation

At least 15% of the budget of the seven Thematic Priorities is collectively to be allocated to SMEs. Therefore, the participation of small and medium-sized enterprises in the new instruments is strongly encouraged. A significant part of this budget is expected to be channelled through Integrated Projects.

Integrated Projects are well suited to include SMEs by their main characteristics, especially objective-driven research, knowledge creation and medium to high scale. The optimal participation of SMEs in an Integrated Project can further its objectives of critical mass and ambition, and the involvement of SMEs constitutes one of the criteria to assess the quality of the consortium of an Integrated Project Proposal.

SMEs can participate in an Integrated Project at any stage, from its start to a later phase of its implementation. Activities such as research, technological development, take-up, demonstration, and training, which are important components of an Integrated Project, can all involve SME participants. In

addition, SME associations or groupings can participate in Integrated Projects on behalf of their members.

In order to assist SMEs with the costs of their participation in a project, loan guarantee premia will be considered to be an eligible cost under the contract. This facility will enable SMEs to secure loans to support their own costs of participation on favourable terms.

In the case where SMEs are not initially involved in an integrated project, the consortium has the flexibility to modify its composition to include SME participants at a later stage through one of the following mechanisms:

- the possibility to specifically dedicate a part of the Community contribution to SME participants that might be identified during the course of the project through a competitive call launched by the consortium (see section 6.3);
- the possibility to provide additional funding to an IP through a call for proposals launched by the Commission to add new activities and participants, SMEs in particular (see section 6.4).

In addition, work programmes may identify topics specifically relevant to SMEs as subjects for calls for proposals.

National Contact Points will play an important role in assisting SMEs to take part in Integrated Projects.

2. ACTIVITIES

Each project should contain a coherent set of component activities, including a research component and, as appropriate, technological development and/or demonstration components, activities to promote innovation, and any other type of activity directly relevant to the objectives of the integrated project, for example training.

The effective management of knowledge, and its dissemination and transfer, will be an essential feature of each integrated project as well as, where relevant, the analysis and assessment of the technologies developed and of the factors relating to their exploitation.

A project may be at any point in the research spectrum. A single project may indeed span large parts of the spectrum, i.e. from basic to applied research. Most projects are expected to be multidisciplinary in nature.

Each project should contribute to the **promotion of gender equality** through the mainstreaming of the gender dimension in its activities. In addition, it should ensure **respect of basic ethical principles**, when relevant.

As part of the work, the consortium should also engage with actors beyond the research community and with the public as a whole, to help spread awareness and knowledge and to explore the wider societal implications of the project.

2.1. Research and technological development (RTD) and innovation-related activities

The research and technological development activities conducted within an integrated project should present the following characteristics:

- be **objective-driven**: integrated projects must have clearly defined scientific and technological objectives, aiming at a significant advance in the established state-of-the-art;
- have a **multidisciplinary** character: the activities being integrated into the project will tend to draw on a range of different disciplines.

Innovation-related activities

Many integrated projects will have an exploitation potential. In that case, they should include activities relating to the protection and dissemination of knowledge, socio-economic studies of the impact of that knowledge, activities to promote the exploitation of the results, and, when relevant, "take-up" actions. These activities are inter-related and should be conceived and implemented in a coherent way:

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

2.2. Demonstration activities

Integrated projects may also contain a demonstration component designed to prove the viability of new technologies that offer a potential economic advantage, but which cannot be commercialised directly (e.g. testing of product-like prototypes).

2.3. Training activities

Integrated projects are likely to provide an excellent vehicle for the advanced **training of researchers and other key staff, research managers, industrial executives (in particular for SMEs), and potential users** of the knowledge produced within the project. Such training activities should contribute to the professional development of the persons concerned.

2.4. Management of the consortium

Integrated projects will require particular attention by the consortium to overall management and co-ordination issues. Over and above the technical management of individual work packages, an appropriate management framework linking together all the project components and maintaining communications with the Commission will be needed. Depending on the size and scope of an integrated project, a specially constituted management team with dedicated staff covering a range of skills may need to be set up.

Consortium management activities include:

- coordination of the technical activities of the project;
- the overall legal, contractual, ethical, financial and administrative management;
- coordination of knowledge management and other innovation-related activities;
- overseeing the promotion of gender equality in the project;
- overseeing science and society issues related to the research activities conducted within the project;
- obtaining audit certificates by each of the participants;
- implementation of competitive calls by the consortium for the participation of new participants, in accordance with the provisions of the contract;
- maintenance of the consortium agreement;
- obtaining any financial security such as bank guarantees when requested by the Commission.

3. FINANCIAL REGIME

The financial regime for integrated projects will be built on the following concepts:

- a “grant to the budget”, acting as a ceiling for the Community financial contribution;
- where the contribution will be paid as a reimbursement of eligible costs claimed by the participants;
- based on maximum rates of reimbursement specified in the contract for different types of activity within the project.

The grant to the budget will be negotiated on the basis of: (a) the estimated eligible costs of carrying out the various activities in the project; (b) the appropriate cost model for each of the participants; and (c) the rates of Community reimbursement for each activity. The maximum amount of the Community contribution will be fixed in the contract.

Such a regime will have many similarities to the current financial regime for RTD projects in FP5, though with several marked simplifications, with increased financial security both for the Community and the consortium, and with increased autonomy for the consortium.

3.1. Eligible costs

Eligible costs incurred for the implementation of the project must fulfil all of the following conditions:

- they must be actual, economic and necessary for the implementation of the project; and
- they must be determined in accordance with the usual accounting principles of each participant; and
- they must be incurred within the duration of the project, except when otherwise provided for in the contract; and
- they must be recorded in the accounts of the participant that incurred them ; and
- they must exclude any identifiable indirect taxes (including VAT and duties), interest owed, costs incurred in respect of another Community project, return on capital...(for a complete list see Article 19.2 of Annex II of the Contract); and
- in the case of contributions made by third parties on the basis of an agreement between a participant and the third party existing prior to its contribution to the project, and for which the tasks are identified in the technical annex to the contract, the third party’s costs must be incurred in accordance with its usual accounting principles and with the principles set out above.

(Note: As each participant will be expected to follow its own accounting conventions, there will be no pre-defined cost categories as there were for RTD projects in FP5).

The Commission will issue financial guidelines both to inform participants of how eligible costs may be identified and charged to the project and to propose good financial practices. Participants will be invited to follow these guidelines when establishing their proposed budget for the project and when preparing financial reports. On the other hand, the Commission services will observe these guidelines in all their dealings with the project, as will any auditor appointed by the Commission.

3.2. Direct costs

Direct costs are all those costs that meet the criteria established in Section 3.1 above, that can be identified by the participant in accordance with its accounting system, and that can be attributed directly to the project.

Participants using the additional cost model (see section 3.4) may charge to the project only those direct costs that are additional to their recurring costs. Any such direct additional costs specifically covered by contributions from third parties are excluded. Direct costs of personnel will be limited to the actual costs of the personnel assigned to the project where the participant has concluded with the personnel:

- a temporary contract for working on Community RTD projects , or,
- a temporary contract for completing a doctorate, or,

- a contract which depends, in full or in part, upon external funding additional to the normal recurring funding of the participant. In that case, the costs charged to this contract must exclude any costs borne by the normal recurring funding.

3.3. Indirect costs

Indirect costs are all those costs that meet the criteria established in Section 3.1 above, that cannot be identified by the participant as being directly attributed to the project, but that can be identified and justified by its accounting system as being incurred in direct relationship with the eligible direct costs attributed to the project. Indirect costs may be charged to the project under the full cost model to the extent that they represent a fair apportionment of the overall overheads of the organisation.

3.4. Cost reporting models

There are three cost reporting models:

- **FC**: a full-cost model in which all eligible direct and indirect costs may be charged to the contract;
- **FCF**: a simplified variant of the full-cost model, in which all eligible direct costs may be charged to the contract, together with a flat-rate rate of 20% of all these direct costs, excluding subcontracts, which will be deemed to cover all related indirect costs;
- **AC**: an additional-cost model, covering all eligible direct costs that are additional to the recurring costs of a participant (with the exception of consortium management for which recurring costs would also be eligible), together with a flat-rate of 20% of all these direct costs, excluding subcontracts, which will be deemed to cover all related non-recurring indirect costs.

Access to a cost model depends on the type of legal entity concerned:

- all legal entities can use the FC model with the exception of physical persons ;
- physical persons are obliged to use the AC model ;
- non-commercial or non-profit organisations established under either public law or private law and international organisations may choose one of the AC, FCF or FC models. However, only those non-commercial or non-profit organisations established under either public law or private law and international organisations that do not have an accounting system that allows the share of their direct and indirect costs relating to the project to be distinguished may opt for the AC model;
- legal entities defined as SMEs have the choice between the FC and FCF model.

Each participant will apply the same cost reporting model in all contracts established under the Sixth Framework Programme. However, as derogation to this principle:

- any legal entity that is eligible to opt for the AC model in a first contract can change to the FCF or the FC model in a later contract. If it does so, it must then use the new cost reporting model in subsequent contracts;
- any legal entity that is eligible to opt for the FCF model in a first contract can change to the FC model in a later contract. If it does so, it must then use the new cost reporting model in subsequent contracts.

(Note: The same basic cost reporting models will be used for all FP6 instruments that are implemented through grants to the budget or grants for integration. This will generate a significant simplification for contractors when compared to FP5, where different instruments sometimes used fundamentally different cost methodologies.)

3.5. Maximum rates of Community support

For full cost participants (FC and FCF), the maximum reimbursement for each of the four types of activities described above (see sections 2.1 to 2.4) will be:

- 50% for the research and technological development and the innovation-related activities of the project;
- 35% for demonstration activities;

- 100% for training activities (excluding the personnel costs of those being trained);
- 100% for the management of the consortium.

Additional-cost participants will continue to be reimbursed at up to 100% of additional costs for all components of the project (with the exception of consortium management, for which recurring costs may also be charged as mentioned above).

The model contract specifies which consortium management costs are eligible for reimbursement at the 100% rate. A maximum of 7% of the overall Community contribution to a project may be used to reimburse these costs. This limitation does not apply to each individual participant but for the project as a whole. Where the costs incurred for consortium management activities exceed the limit of 7% of the Community financial contribution, such costs may be charged to the other relevant activity to which they correspond.

Finally, it should be noted that the above rates represent a possible maximum rate since the receipts of the project (see next section) must be taken into consideration in determining the total amount of the Commission financial contribution.

3.6. Receipts of the project

For each participant, the Community financial contribution cannot exceed the costs minus the receipts for the project. Three kinds of receipts must be taken into consideration:

- financial transfers or their equivalent to the participant from third parties;
- contributions in kind from third parties;
- income generated by the project.

In the first two cases (financial transfers or contributions in kind), these endowments are considered as receipts of the project if the third party has provided them specifically for use on the project.

If, on the other hand, the use of these endowments is at the discretion of the participant they are not be considered as receipts.

Where contributions from third parties are used for the project by the participant, the latter is required to inform the third party of this use in accordance with the national legislation or practice in force.

In the case of income generated by the project itself:

- any income generated by the project itself, including the sale of assets bought for the project (limited to the initial cost of purchase) is considered as a receipt of the project (e.g.: admission fees to a conference carried out by the consortium, sale of the proceedings of the aforementioned conference, sale of equipment bought for the project, ...);
- income generated by using the knowledge resulting from the project is, however, not considered as a receipt.

4. THE PROPOSAL STAGE AND THE NEGOTIATION PROCESS

4.1. Calls for proposals

Calls for proposals for integrated projects will be published in the Official Journal of the European Communities and widely published by other means, including the Cordis web-site and through the National Contact Point network.

Invitations to submit expressions of interest

Invitations to submit expressions of interest may be issued prior to calls for project proposals. The first such invitation was published on 20 March 2002, with a deadline of 7 June 2002. The results of this exercise were published on www.cordis.lu/fp6/eoi-instruments in September 2002.

The expressions of interest phase will enable the Commission to better identify specific topics to be addressed by integrated projects in the subsequent calls for proposals. This will enable the calls to be more tightly focused, hence reducing over-subscription. Expressions of interest will also help in proposal making and consortium building.

Expressions of interest should include a rationale for proposing the topic suitable for an integrated project, a description of the potential expertise, skills and resources available to implement it and a demonstration of the readiness to submit a proposal to the subsequent call for proposals.

Where appropriate, the Commission may modify, merge or subdivide the topics submitted. However, any topic not submitted as an expression of interest risks being excluded from subsequent calls.

Project proposals

The information package relevant to the call for proposals describes the content of a proposal.

In order to help simplify proposal making, the information provided should be only of sufficient “management-level” detail as to allow an objective evaluation of the scientific/technical merit of the proposal and of the resources that will be employed. Further details may then be requested as necessary, during the evaluation and negotiation phases.

Furthermore, applicants will be asked to provide only a summary description of the activities for the full duration of the project. A detailed implementation plan will be required only for the first 18 months. The fact that all participants do not need to be identified when the proposal is made is another potential source of simplification.

At the time they present their proposal, the participants should have collectively at least the potential resources (financial and material) needed to carry out the project, should it be supported by the Community.

Two-stage proposal submission

The Commission may also choose to arrange its calls for proposals in two stages, where in the first stage an outline proposal providing the essential aspects of the proposed project is submitted and evaluated with the help of external experts, and a full proposal is submitted in a second stage by those retained after that initial evaluation. When a two-step approach is to be followed, it will be specified in the relevant call for proposals.

4.2. Evaluation of proposals

The fundamental principles governing the evaluation of proposals are:

- **Quality:** Projects selected for funding must demonstrate a high scientific, technical and managerial quality in the context of the objectives of the specific programme in question.
- **Transparency:** In order to provide a clear framework for researchers preparing proposals for funding and for evaluators evaluating proposals, the process of reaching those funding decisions must be clearly described and available to any interested party. In addition, adequate feedback must be provided to proposers on the outcome of the evaluation of their proposals.
- **Equality of treatment:** All proposals must be treated alike, irrespective of where they originate or the identity of the proposers.
- **Impartiality:** All proposals must be treated impartially on their merits.
- **Efficiency and speed:** The procedures must be designed to be as rapid as possible, commensurate with maintaining the quality of the evaluation, to be cost effective and to respect the legal framework within which the specific programme is managed.
- **Ethical considerations:** Any proposal that contravenes fundamental ethical principles may be excluded from being evaluated or selected at any time.

Peer review

Evaluation will be conducted by the Commission services with the assistance of independent experts according to the principles of “**peer review**”. However the system used for the evaluation of RTD projects in the Fifth Framework Programme will need to be strengthened in order to reflect the more ambitious goals and scale of integrated projects.

Possibilities for strengthening the peer review system for integrated projects include: the more systematic use of two-stage submission (where only those applicants whose outline proposals pass the first stage will be invited to submit a full proposal) and hearings of applicants by the panel, in particular to allow applicants to answer questions not covered in the proposal itself. Such hearings would act as an additional means of simplifying proposal-making, since proposals would no longer have to foresee answers to all possible questions that the experts might wish to ask.

Evaluation criteria

The following basic set of criteria is intended to be common to all priority themes for the evaluation of proposals for integrated projects. These issues will be detailed and complemented as necessary in the relevant calls for proposals.

- **Relevance to the objectives of the programme.** The extent to which:
 - the proposed project **addresses the objectives** of the work programme in the areas open for the particular call.
- **Potential impact.** The extent to which:
 - the proposed project is **suitably ambitious** in terms of its strategic impact on reinforcing competitiveness or on solving societal problems;
 - the innovation-related activities and exploitation and/or dissemination plans are adequate to ensure **optimal use of the project results**;
 - the proposed project demonstrates a clear **added value** in carrying out the work at European level and takes account of research activities at national level and under European initiatives (e.g. Eureka).
- **S&T excellence.** The extent to which:
 - the project has **clearly defined objectives**;
 - the objectives represent clear **progress beyond the current state-of-the-art**;
 - the **proposed S&T approach** is likely to enable the project to achieve its objectives in research and innovation.
- **Quality of the consortium.** The extent to which:
 - the participants collectively constitute a **consortium of high quality**;
 - the participants are **well-suited and committed to the tasks** assigned to them;
 - there is **good complementarity** between participants;
 - the **profiles** of the participants, including those to be included later, have been clearly described;
 - the real involvement of **SMEs** has been adequately addressed.
- **Quality of the management.** The extent to which:
 - the **organisational structure** is well-matched to the complexity of the project and to the degree of integration required;
 - the **project management** is demonstrably of high quality;
 - there is a satisfactory plan for the **management of knowledge**, of intellectual property and of other innovation-related activities.

- **Mobilisation of resources.** The extent to which:
 - the project mobilises the **critical mass of resources** (personnel, equipment, finance...) necessary for success;
 - the **resources** are **convincingly integrated** to form a coherent project;
 - the overall **financing plan** for the project is adequate.

In addition to the above criteria and any specific criteria or interpretations of the criteria specified in the relevant call for proposals, the following questions will also be addressed at any appropriate moment in the evaluation:

- Are there **gender** issues associated with the subject of the proposal? If so, have they been adequately taken into account?
- Are there **ethical** and/or **safety** issues associated with the subject of the proposal? If so, have they been adequately taken into account in the preparation of the proposal? Is the proposed research compliant with fundamental ethical principles, if relevant? Before they are selected for funding, all proposals which deal with sensitive ethical issues and any proposal for which ethical concerns have been identified during the scientific evaluation may be reviewed by a separate ethical review panel.
- To what extent does the proposal demonstrate a readiness to engage with actors beyond the research community and the public as a whole, to help spread awareness and knowledge and to explore the wider **societal implications** of the proposed work?
- Have the synergies with **education** at all levels (where appropriate) been clearly set out?

4.3. The negotiation process

For proposals that are successfully evaluated, the negotiation process between the Commission services, possibly with the assistance of external experts, and the participants, will deal with the following aspects:

- to finalise the objectives and deliverables of the project, which should then be considered fixed for the life of the project;
- to agree an outline implementation plan for the full duration of the contract, which in most respects should be considered fixed, but may be revised, if necessary, particularly after the mid-term review;
- to agree a financial ceiling for the Community contribution;
- to agree a detailed implementation plan (and associated financial plan) for the first 18 months, which will subsequently roll forward every 12 months;
- to agree principles for modifying the composition of the consortium.

A thorough financial review of the project will be an essential component of the negotiation process. In it, the consortium will be expected to demonstrate that they potentially have the resources to carry out the project and that there is a sound basis for their collaboration.

The principles applicable in the negotiation phase will be detailed in publicly available guidelines.

5. THE CONTRACT

The text of the model contract, together with explanatory documents, can be found at:

<http://www.cordis.lu/fp6/find-doc.htm>

5.1. Content of the contract

The contract with the Commission will establish the rights and obligations of participants and in particular the arrangements for the technical, technological, financial and, where appropriate, ethical monitoring of the project, the updating of its implementation plan, changes in consortium membership, eligibility of expenditure, as well as rules regarding intellectual property rights.

The contract may be structured along the following lines:

- a **core** text containing: the scope, duration, maximum Community financial contribution, deliverables, payment modalities and the list of initial participants;
- a **technical annex** (Annex I) containing: a) the objectives of the project; the outline implementation plan for its whole duration; an outline description of the role of the participants; a description of the deliverables; ethical provisions; a description of the organisation and management structure; the circumstances under which a competitive call will be needed; b) a detailed implementation plan for the first 18 months together with its associated indicative financial plan;
- **general conditions** (Annex II) common to all FP6 instruments, covering standard legal and administrative provisions, the IPR regime and standard financial provisions among others;
- **conditions specific to integrated projects** (Annex III), notably: the provisions for competitive calls; the mechanism for updating the outline implementation plan and detailed periodic implementation plans; the annual review procedure.

Where it is necessary to **subcontract** elements of the work to be carried out, this should be clearly identified in Annex I. Participants may subcontract other minor services and supplies that do not represent core elements of the project work, that cannot be directly assumed by them and where this proves necessary for the performance of their work under the project.

The breakdown of the Community contribution **will not be fixed in the contract either by activity or by participant**. This will give a degree of flexibility to the consortium on the distribution of the Community contribution and will also eliminate a good part of its micromanagement associated with FP5 contracts.

5.2. Contracting parties

The contract shall be concluded between the Commission and all the participants. It shall enter into force on signature by the Commission and the co-ordinator. The other participants identified in the contract shall accede to it in accordance with it and shall enjoy the rights and assume the obligations of participants.

Any participant joining an ongoing project shall accede to the contract and enjoy the rights and assume the obligations of participants toward the Community.

5.3. Role of the co-ordinator

The consortium must designate one of its participants to act as the co-ordinator of the project. The following tasks of the co-ordinator will be specified in the contract:

- a) act as the intermediary between the consortium and the Commission. All information related to the project is to be transmitted by the consortium to the Commission through the co-ordinator, with the exceptions foreseen in the contract;
- b) receive all payments made by the Commission and administer the Community contribution regarding its allocation between participants and activities in accordance with this contract and decisions taken by the consortium. The co-ordinator should ensure that the appropriate payments are made to participants without unjustified delay;
- c) keep accounts making it possible to determine at any time what portion of the Community funds has been allocated to each participant for the purposes of the project and inform the Commission of the distribution of the funds and the date of transfers to the participants on an annual basis;
- d) ensure that the tasks regarding accession to the contract by the other participants are carried out in a timely and correct manner.

The consortium may, of course, agree to entrust other tasks to the co-ordinator, in particular under the terms of any consortium agreement between the participants.

5.4. Collective responsibility of the participants

The technical implementation of the project will be the collective responsibility of the participants. Each participant will also be liable for the use of the Community financial contribution in proportion to his share of the project up to a maximum of the total payments it has received.

Should a participant breach the contract and should the consortium not make good this breach, the Commission may, as a last resort and if all other approaches have been explored, hold the participants liable under the following conditions:

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

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

Additional information can be found in Articles 17 and 18 of Annex II of the model contract.

5.5. Consortium agreement

The conclusion of a **consortium agreement** will be **mandatory** for all integrated projects (unless otherwise specified in the relevant call for proposals). The need for a consortium agreement in part arises from the larger autonomy that consortia will be given and from the simplification of the contract with the Commission, for example with respect to the management of the Community contribution and to intellectual property. A **consortium agreement** may include:

- the internal organisation of the consortium, its **governance structure, decision-making processes and management arrangements**;
- arrangements for the distribution of the Community contribution among participants and among activities;
- provisions for the settlement of disputes within the partnership;
- **specific arrangements concerning intellectual property** rights to be applied among the participants and their affiliates, in compliance with the general arrangements stipulated in the contract;
- **any other provision** necessary to ensure a sound management of the project.

The consortium agreement should be signed as early as possible and preferably no later than the date on which the contract with the Commission enters into force. The Commission will publish non-binding guidelines on points that may be addressed by a consortium agreement.

6. IMPLEMENTATION OF THE PROJECT

At its outset, the contract will contain an agreed overall implementation plan for the full duration of the project, and a detailed plan for the first 18 month period together with its associated indicative financial plan. An advance payment (*pre-financing*) of up to 85% of the Community financial contribution to the budget for the first 18 months period will be made at the start of the project.

With the agreement of the Commission, the overall implementation plan may be modified and the detailed plan will roll forward each year, as part of the reporting schedule. However, the overall objectives and principal deliverables, as set out in the contract, will not be expected to change during the lifetime of the project. With the agreement of the Commission, the composition of the consortium may also be modified as the project progresses.

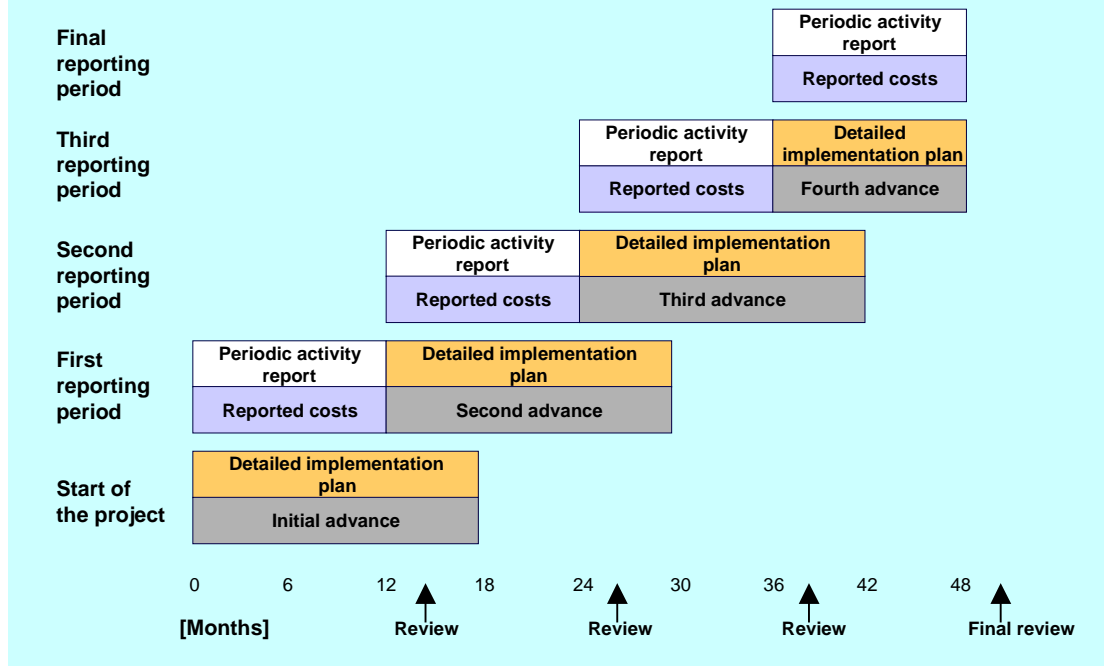
6.1. Periodic reporting

Every twelve months, the consortium will submit to the Commission the following **reports for the previous 12-month period**, as well as a **plan for the forthcoming 18-month period**. The simultaneous submission of these documents allows optimal monitoring of progress by the Commission services and furnishes a solid basis for the payment of the periodic advances.

- An **activity report** for the previous twelve months, containing:
 - a management-level overview of the activities carried out by the project during the period;
 - a description of progress toward its scientific and technological objectives and associated innovation-related activities;
 - a description of progress toward the milestones and deliverables foreseen;
 - a description of training activities, if any;
 - identification of problems encountered and corrective action taken.
- A **management report** for the period, containing:
 - a) a **management-level justification of the resources** deployed by each participant, linking them to activities implemented and justifying their necessity;
 - b) a **financial part**, consisting of:
 - a **financial statement** prepared by each participant, showing the total eligible costs incurred broken down by type of activity;
 - an **audit certificate per participant**, furnished by an independent external auditor or, in the case of a public body or international organisation, by a competent public official, certifying the overall total of eligible costs incurred by that participant;
 - a **summary financial report** prepared by the co-ordinator, consolidating the incurred costs of the consortium and the requested Community contribution, broken down by type of activity;
 - a report on the **allocation of the Community financial contribution** to each participant made during that period.
- An **updated implementation plan**, including a detailed description of the implementation plan for the eighteen months following the twelve-month period covered by the reports above, and a revision of the overall implementation plan if needed.
- An associated **financial plan**, containing an estimate of the costs to be incurred by each participant during the coming eighteen-month period, broken down by type of activity.
- Any **supplementary reports** required by any Annex to the contract (especially Annex I: technical annex).

The Commission needs to review and approve all four of these documents. In doing so, the Commission may be assisted by external experts. Once the updated implementation plan and financial plan for the period that follows have been approved (subject, when necessary, to ethical review) they will be incorporated in the contract.

REPORTING AND PAYMENTS SCHEDULE (example of a 4 year integrated project)



6.2. Payments schedule

The payments schedule, illustrated in the diagram on the previous page, has been designed to give greater financial certainty to the consortium. At the start of the contract, the Commission will pay an advance (*pre-financing*) of up to 85% (unless a lower figure is foreseen in the contract) of its foreseen financial contribution for the first 18 months of the project based on the project's approved financial plan.

Annually thereafter, once the Commission has accepted the financial report, an equivalent part of the advance will be converted into an accepted payment and will be considered as a full and final settlement of the payment for the period concerned (subject, of course, to any ex-post audit).

Furthermore, once the plans for the following 18-month period are approved and the payment for the previous 12-month period has been settled, the Commission will supplement its outstanding advance to bring it up to 85% (unless a lower figure is foreseen in the contract) of its foreseen contribution to the budget of that financial plan. That way, the project should never be operating without an approved detailed plan, nor without a satisfactory advance payment.

6.3. Evolution of the consortium (without additional funding)

The contract will specify the procedures for modifying the membership of the consortium within the limits of the Community contribution. The following general cases can be envisaged.

Replacement of a participant

When the consortium is faced with the need to replace a participant, for example one that has withdrawn, the new participant may be selected without a competitive call, unless this is considered useful by the consortium itself (or specifically requested by the Commission). The Commission may object to the inclusion of particular selected new participants on grounds such as financial precariousness or past frauds.

Expansion of the consortium

The consortium may itself decide to take in new participants as the project evolves, though without any additional financing from the Community. The contract will specify when the addition of a new participant will require the prior publication of a competitive call, for example in those cases where a proportion of the original budget was assigned to a participant that had yet to be identified.

Competitive calls launched by the consortium

Competitive calls will comply with the following general principles:

- transparency of the procedures: appropriate publicity, clearly enunciated selection criteria;
- equal treatment;
- equal access granted to all potential participants: no exclusion on basis of geographical origin.

The consortium must publish the competitive call in at least one international journal and three different national newspapers in three different Member States or Associated States. It will also be responsible for advertising the call widely using specific information support, particularly Internet sites on the Sixth Framework Programme, the specialist press and brochures and through the national contact points set up by Member States and Associated States. The consortium will carry out the evaluation of the proposals with the assistance of independent experts. They should be individuals with internationally acknowledged expertise in the specialised area.

Two general cases may be envisaged:

- a) Calls for the selection of a new participant to join the consortium: here, candidates will be judged in their individual capacities to perform the required tasks on the basis of criteria that include scientific and technological excellence and the ability to successfully carry out the work required, assessed in terms of resources, competence and organisation.
- b) Calls for the selection of a group of new participants presenting a joint proposal for the execution of an entire task or sub-project: here, the proposals will have to be evaluated against the full set of criteria that governed the evaluation and selection of the project as a whole.

The consortium will not be obliged to select a new participant where it has objective grounds for objecting to the participant, for example commercial competition.

The consortium will inform the Commission of the process followed. The Commission may object to the result, if, for example, the specified modalities have not been properly applied. In all cases, the Commission may object to the inclusion of particular selected new participants on grounds such as past frauds.

6.4. Additional financial contribution to extend the project

The Commission may decide to launch calls for proposals enabling the Community contribution to existing integrated projects to be increased, in order, for example, to cover new activities or to involve particular types of participants. This possibility may, for example, be a useful mechanism for stimulating take-up measures and enhancing the participation of SMEs. The evaluation will be carried out in accordance with the general principles used for the evaluation of integrated projects.

6.5. Final reporting

In addition to the activity report, the management report and the report on the distribution between contractors made of the Community financial contribution (referred to in Section 6.1) for the last period, the consortium is required to submit the following final reports to the Commission after the end of the project:

- a) a **final activity report** covering all the work, objectives, results and conclusions, and the final plan for using and disseminating the knowledge, including a summary of all these aspects;

- b) a **final management report** covering the full duration of the project including a summary financial report consolidating the claimed costs of all the contractors in an aggregate form covering the entire duration of the project;
- c) any **supplementary final reports** required by any Annex to the contract (especially Annex I: technical annex);
- d) a report on the **distribution between participants of the final payment** of the Community financial contribution.

Under point a), the report should include in particular: an analysis and evaluation of the potential economic and social impact of the technologies concerned and the factors involved in their successful exploitation; an assessment of the equal opportunity promotion actions.

7. FOLLOW-UP AND MONITORING

The Commission services will monitor the project so as to ensure proper work execution according to the terms of the contract, to protect the Community's financial interests, to reinforce public accountability and to ensure maximum synergy and coherence with other actions within the specific programme. The Commission will need to develop a robust scheme suitable for the output monitoring of integrated projects. Such a possible scheme is outlined below.

7.1. Regular follow-up by Commission services

A project officer from among the Commission staff, or a team of project officers, will be assigned to each project. The project officer may be assisted by other persons, internal and external to the Commission, with the appropriate technical expertise. The project officer maintains close contact with the project management team in order to ensure proper overall monitoring, as well as timely feed-back between the project and the Commission on developments needing particular attention. The tasks of a project officer include:

- serving as a permanent contact point for the project;
- arranging the follow-up of the project, including analysis of all project reports, both from the scientific/technical and financial/managerial points of view;
- attending all formal project reviews and any consortium meetings where this is deemed necessary.

The contract may foresee the following reviews by the Commission, each with the possible assistance of external experts:

- **annual reviews:** coinciding with the annual cycle of reporting and planning to act as a basis for the settlement of the previous year's contribution;
- **a mid-term or milestone review (optional):** which would trigger a go/no-go decision on whether to continue the project to its foreseen end;
- **an end-of-term review:** primarily to assess the impact of the project on enhancing the Community's competitiveness or on addressing major societal needs.

More specific technical audits, as well as financial and technological audits, may also be launched by the Commission (see next section).

7.2. Audits

The model contract will specify an audit regime to enable the Commission to proceed to audits, dealing with **technical, financial, technological** (innovation impact), and **ethical** aspects:

- **Technical audits** may be launched at any point during the implementation of the project in order to verify that the *project* is being or has been carried out in accordance with the conditions indicated by the participants. A yearly review would be considered a technical audit.
- **Financial audits** may be launched at any time, and may deal with any aspect of the financial implementation of the whole or a part of the project. For each integrated project, it is the

Commission's intention that **at least one financial audit will be carried out** within the auditable period.

- **Technological audits** dealing with the use and dissemination of results may be launched at the end of all the projects, but may also be carried out earlier, if considered necessary by the Commission.
- **Ethical audits** may be launched at any time during the implementation of the project in order to verify that the project is respecting fundamental ethical principles and national regulations.

Various audits may be undertaken simultaneously. In particular, parallel technical and financial audits of a given project could be opportune. The Commission itself will conduct the audits or entitle another entity to do so.

8. INTELLECTUAL PROPERTY ASPECTS

8.1. General principles

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

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

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

8.2. Ownership of knowledge

Since integrated projects are not funded 100% by the Community, participants will own the intellectual property of the knowledge resulting from the project.

8.3. Protection of knowledge

The owner of knowledge should provide adequate and effective protection for knowledge that is capable of industrial or commercial application.

The Commission may adopt protective measures when it considers it necessary to protect knowledge in a particular country, and when such protection has not been applied for or has been waived.

Participants may publish information on the knowledge arising from the project, provided this does not affect the protection of that knowledge.

8.4. Use and dissemination of knowledge

Participants shall use or cause the use of the knowledge, which they own arising from the project, in accordance with their interests and with the provisions agreed among them.

If dissemination of knowledge does not adversely affect its protection or its use, it should be disseminated by the participants within a period laid down by the Community. If the participants fail to do so, the Commission may disseminate the knowledge. In doing that, the Commission and the participants should take into consideration the following elements:

- the benefits of swift dissemination (in order to avoid duplication of research efforts and create synergies between actions);
- the need to safeguard intellectual property rights;
- confidentiality;
- the legitimate interests of the participants.

8.5. Access rights

Main principles

The provisions relating to access rights **are the same for all participants** (contrary to the FP5 situation, providing for different access rights for principal/assistant contractors). As a consequence, the table summarising the access rights system is much simpler (see below).

The control of pre-existing know-how by its owner(s) has been improved by making it possible for a participant to exclude specific pre-existing know-how from the obligation to grant access rights to it to other participants, in agreement with all other participants before the start of the project.

The control of knowledge resulting from the project by its owner(s) has also been improved: a participant enjoys access rights to another participant's knowledge only if such access rights are necessary for the first participant to use its own knowledge.

Obligatory access rights between different projects have been suppressed. However, the participants may conclude any agreement aimed at granting additional or more favourable access rights (including to third parties, e.g. affiliates), or at specifying the requirements applicable to access rights (without restricting them). Such provisions may for instance be included in consortium agreements.

The Commission may object to the granting of access rights to third parties, in particular to those which are not established in a Member State or an Associated State, if granting such rights is not in accordance with the interests of developing the competitiveness of European industry, or with ethical principles, in particular those described in the Charter of Fundamental Rights of the European Union.

Access rights for the execution of the project

Inasmuch as such access rights are needed to carry out their own work under the project, **all participants** in the project **enjoy access rights** to: (a) the knowledge arising from work carried out under the project and, (b) the pre-existing know-how of the other participants.

Access rights **to knowledge** shall be granted **on a royalty-free basis**. Access rights **to pre-existing know-how** shall also be granted **on a royalty-free basis**, unless other conditions have been agreed before signature of the contract.

Subject to its legitimate interests, the termination of the participation of a participant shall in no way affect the obligation to grant such access rights for the execution of the project to the other participants until the end of the project.

Access rights for use purposes ("use" = exploitation + further research)

Inasmuch as such access rights are needed to use their own knowledge resulting from the project, participants in the project enjoy access rights to: (a) the knowledge arising from work carried out under the project and, (b) the pre-existing know-how of the other participants.

Access rights **to knowledge** shall be granted **on a royalty-free basis, unless** other conditions were agreed upon before signature of the contract. Access rights **to pre-existing know-how** shall be granted **on non-discriminatory and reasonable conditions** to be agreed.

Subject to the participants' legitimate interests, access rights for use purposes may be requested until two years after the end of the indirect action or after the termination of the participation of a participant, whichever falls earlier, unless the participants agree on a longer period.

Summary of access rights

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

**PARTICIPATION AND FINANCING POSSIBILITIES BY COUNTRY OF
ESTABLISHMENT OF PARTICIPANT
(IN 'FOCUSING AND INTEGRATING COMMUNITY RESEARCH' PART OF FP6)**

Participant's country of establishment	Participation	Financing
European Union Member States, JRC	Rightfully	Rightfully
Associated States	Rightfully	Rightfully
International organisations of European interest	Rightfully	Rightfully
Russia, other New Independent States, Mediterranean Countries (including Western Balkans), developing countries	Rightfully over and above the minimum threshold	Within the limits of the budget available for international co-operation activities
Other third countries and other international organisations	Rightfully over and above the minimum threshold	If Community contribution is foreseen in the work programme or if it is essential for carrying out the project