

FP7 Subcontracting

Introduction

There are different ways that an organisation can take part in an FP7 Project. The majority of organisations participate in projects as Consortium partners, or Beneficiaries as they are now known. One of the partner organisations is also given the additional responsibility of being the Coordinator. The Coordinator signs the Grant Agreement, as does the Commission. All of the other Partners/Beneficiaries sign an A form acceding to the Grant Agreement.

Another way an organisation can take part in FP7 Projects is as a Third Party. Subcontracting is a type of Third Party participation; however it is subject to specific rules. (For other types of Third Party participation in FP7 Projects please refer to the Third Parties Leaflet).

Warning:

As a rule the Commission does not favour Subcontracting in FP7 Projects (with the exception of SME Measures Projects). If a consortium is planning to use one or more Subcontractors within their Project then the Subcontractor's role has to be justified, laid out in the Technical Annex during Grant Agreement negotiations and agreed by the Project Officer. Funding for this role also has to be allocated and inserted into the Subcontracting column in the NEF Forms. Overheads are not allowed to be added onto any Subcontracting costs.

If Subcontracting was forgotten during Negotiations then they can only be used after a Grant Agreement Amendment to add them.

The subcontractor's interest in the project is assumed to only be the profit that the commercial transaction will bring. A subcontractor is assumed to be paid in full for its contribution made to a project by the beneficiary with whom it has a subcontract. As a consequence subcontractors do not have any IPR rights on the foreground of the project.

Conditions for using Subcontractors

If there is a good justification for using a subcontract then the Project Officer will allow it to be included in the Technical Annex. Such activities would be things that beneficiaries would normally not carry out in house. However, there are some tasks that are never allowed to be subcontracted and these tasks are classed as being "Core" to the Project. These are:

- Research
- Coordination tasks of the Coordinator
 - a) administering the *Community financial contribution* regarding its allocation between *beneficiaries* and activities, in accordance with this *grant agreement* and the decisions taken by the *consortium*. The *coordinator* shall ensure that all the appropriate payments are made to the other *beneficiaries* without unjustified delay
 - b) keeping the records and financial accounts making it possible to determine at any time what portion of the *Community financial contribution* has been paid to each *beneficiary* for the purposes of the *project*
 - c) informing the *Commission* of the distribution of the *Community financial contribution* and the date of transfers to the *beneficiaries*, when required by this *grant agreement* or by the *Commission*;
 - d) reviewing the reports to verify consistency with the project tasks before transmitting them to the Commission;
 - e) monitoring the compliance by beneficiaries with their obligations under this grant agreement

Because a Subcontractor is not a partner/beneficiary of the Grant Agreement it is not a signatory to it. However, the beneficiary remains responsible for all its rights and obligations under the Grant Agreement, including the tasks carried out by a subcontractor. The beneficiary must ensure that the intellectual property that may be generated by a subcontractor is owned by the beneficiary so that it can meet its obligations towards the other beneficiaries. However, the beneficiary must ensure that the subcontractor can be audited by the Commission or the Court of Auditors.

Subcontracting costs are direct costs. The costs of the subcontract are part of the direct costs of the beneficiary and must be recorded in the accounts of the beneficiaries. They also have to be identified by beneficiaries in the financial statement form (Form C, Annex VI).

Subcontracting between beneficiaries in the same GA is not allowed. Where one participant needs the services of another in order to perform its part of the work, it is the latter that should declare and charge the costs for that work. Costs can be exchanged by redistributing funding via the Form C.

Subcontractors – selection process

Beneficiaries must demonstrate that the selection of the subcontractor complies with the following principles:

The procedure to be used for the selection of the subcontractor should be proportionate to the size of the subcontract and there should be a transparent bidding procedure and comply with normal organisation rules.

Any subcontract, the costs of which are to be claimed as an eligible cost, must be awarded to the bid offering best value for money (best price-quality ratio), under conditions of transparency and equal treatment. **Note: this does not mean cheapest.**

The publication of a call for tenders is normally not necessary for private legal entities, but the Commission would normally expect submission of several quotes (usually a minimum of three), unless the Organisation has an established framework contract for the provision of those services.

Article II.7.3 – Minor tasks

Some potential Subcontracts could be classed as a “Minor task” rather than a subcontract. The advantage of this is that “Minor tasks” do not have the stigma of being a subcontract and can be included as part of your normal costs with overheads added on.

The problem is that there is no definition of what is a “Minor Task” and the criteria to decide whether a subcontract concerns minor tasks are qualitative and not quantitative. Examples:

- Organisation of the rooms and catering for a meeting
- Printing of material, leaflets, etc.

The best thing for your organisation to do is to produce a memo stating what you class a minor task to be within your organisation. This makes your auditor’s job a lot easier.

Subcontracting vs. durable equipment / consumables

Sometimes the purchase of equipment or consumables is associated with the provision of a service. If the service is part of the "package" of equipment purchase then it will be considered to be part of the equipment purchase.

Special case of “Research for SMEs” or Research for SME Associations”

Research for SMEs supports small groups of innovative SMEs in solving technological problems and acquiring technological know-how, whereas Research for SME associations aims at developing technical solutions to problems common ”to a large number of SMEs in specific industrial sectors or segments of the value chain”. In both cases SMEs and SME associations are given the opportunity to subcontract research to RTD performers in order to acquire the necessary technological knowledge. The subcontracting is considered as eligible costs for the SME participants (and, if relevant, for the other enterprises and end-users) and will be reimbursed at the funding rate applicable for "research and technological development activities" and/or "demonstration activities".

Uniquely, in FP7, within these projects RTD performers have a dual role; they participate both as Beneficiary and Subcontractor.

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