

1 March 2006

## Use of Third Parties in FP6 Projects

### **Introduction**

---

In FP6 Assistant Contractors used in FP5 were dropped and “Third Parties” appeared.

In this leaflet we do not discuss contribution in kind to the project by Third Parties. These contributions are viewed as a receipt to the project.

### **What are Third Parties?**

---

Third parties participate in a project via a contractor who is responsible for their financial and activity/technical reporting.

There are two types of Third Party:

- One that uses Clause 23
- One that does not use Clause 23

Third Parties do not sign the contract and have no financial responsibility, which falls entirely on the contractor who is in charge. Generally, third parties have no rights or obligations vis-a-vis EC or other contractors, this may change according to the Consortium agreement.

- Contractor is responsible for:
  - ensuring all work is carried out
  - any IPR generated is protected and used and available for any necessary access rights (via subcontract or agreement with third party) ensuring that third party meets requirements (auditing etc).
  - However, resources have to be made available by third parties on the basis of an **agreement** between the contractor and the third party existing prior to its contribution to the project to be seen as eligible costs for the contractor.
- The tasks and their execution by such third parties are clearly identified in the Annex I
- Costs will have to be incurred in accordance with the usual accounting principles of such third parties and be recorded in the accounts of this third party - to be covered by audit certificates (it may be a separate certificate or a combined one with the contractor depending if Clause 23 was used. see below).
- Contractors shall ensure that third parties whose resources are made available to the project are informed on the use of their resources

### **Under Clause 23**

---

Special Clause 23 was created to allow “participation” of members of entities such as EEIG, SME Assoc and UMR etc, where the association is a contractor in a project. By using Clause 23, members of the association can report as third parties if it is approved in Annex 1.

### **Question:**

If I have a Third Party can I use clause 23? What about the Cost Statements?

**Answer:**

Clause 23 is only applicable if the Contractor is an association, with the members being the Third Parties to it.

Please see. <http://www.finance-helpdesk.org/front/ShowArticle.aspx?ItemID=568> for more. In this case, **each** Third Party would have to submit their own Form Cs and Audit Certificates using their own Cost Model irrespective of the Contractors Cost Model.

**Without Clause 23?**

---

If you are not an association, you can still have a Third Party, if it is approved in the DoW. In this case, the Third Party costs are input into the contractors Form C under the Third Parties Column.

Form C is a single report for the contractor and the third parties "under his control" and there is a single audit report for the contractor and third parties together. The third parties have no financial responsibility, which falls entirely on the contractor who is in charge.

**Question:**

If I have a Third Party that does not fall under Clause 23, how do I deal with the different Cost Models?

**Answer:**

In the case of Non-clause 23 third parties; their costs are input into the contractors Form C under the Third Parties Column and all costs are subject to the contractors own Cost Model.

Please note: As the Contractors cost model is used, if the contractor uses either FC or FCF; He reports all the costs that the Third Party can identify and apply their own funding rates related to either FC or FCF. In other words, if a Third Party would have been working under AC if they were a contractor, it would be financially better to move in as a contractor and not remain as a Third Party

As a Third Party, except under clause 23 for IAG but also JRU, you are not held by cost model issues.

**Disclaimer**

---

*The aim and purpose of this and other leaflets is to raise awareness of the framework program financial issues, and not to give legally binding advice. It is intended to provide relevant information which may be of assistance to anyone with financial queries or concerns. This leaflet has been produced jointly under the EU IST Finance-NMS-IST project Contract Number:015481, and by EFPConsulting Ltd. Both Finance-NMS-IST and EFPConsulting Ltd. endeavour to deliver a high level service for this purpose. Notwithstanding this, no guarantee can be given on the correctness or completeness of the information provided and neither the European Commission, the project partners, nor EFPConsulting are responsible or may be held accountable for any loss suffered as a result of this leaflet. Any information given does not necessarily reflect the official position of the European Commission. In this regard, it should be noted that the information provided is considered to be of a first line assistance and users should contact the competent authorities, organisations, or private firms for more detailed information or for advice on any course of action.*