SME Environment

Supporting
the participation of
Environmental SMEs from New Member States and Candidate Countries
in the Sixth framework
programme

Guide for SMEs

The project is funded by the Sixth Framework Programme for Research and Technological Development of the European Union

GUIDE FOR SMEs

CONTENT

SME Environment

Introduction

The aim of the SME Environment and this Guide is to help small and medium sized enterprises to get involved in FP6 projects in the field of Energy and Environment. On 19th July the European Commission published the last Call for Proposals under the Sixth thematic priority of the FP6: Sustainable development, global change and ecosystems (Global 4 Call).

SME Environment would help environmental SMEs from New Member States and Candidate Countries in their proposal development and consortia building. For this reason the project partners created a special database where only small and medium sized enterprises can register which are working in the field of energy and environment and are interested in participation of projects submitted under the Global 4 Call.

Benefits of the database:
» All data are checked previously.
» The data are relevant and expertise listed refer to the topics of the Global 4 Call.
» The SMEs can search other partners with relevant expertise
» Coordinators can search for SMEs in the region in order to improve their consortia.

SME Environment Guides

The project experts created two special guides in order to help both sides in successful project development.

1. The Guide for SMEs gives practical assistance, a step by step guide on project proposal development, consortium building, and offers solutions for many potential problems.
2. The **Guide for Coordinators** helps coordinators understand better the problems that SMEs face in the region and describes the potential knowlegde base and benefits of involvement of the SMEs into research projects. The Guide also gives practical hints on how to overcome the problems and barriers of NMS/ACC SME participation.

Minimum requirements to take part in an FP6 project

Tick the boxes if your organisation fulfills the requirements.

- ☐ **English speaking staff**
- ☐ **Willingness to cooperate with other organisations**
- ☐ **Research and development activity**
- ☐ **Eligibility**
- ☐ **Ability to co-finance**

All filled? Go on!

Phase 1: From the idea till the submission

1. Identifying a call for proposal

The first step in the process of the proposal preparation is to have an idea which is eligible for support under the Sixth Framework Programme of the European Union. Proposers have the misconception that only innovative ideas or research and development projects are **eligible** for participation under FP6. In most cases it is true, but there are several other possibilities for SMEs to join in FP6 and receive EU support.

For example:
- organising a conference, information days or events related to the programme,
- implementing new services, which are useful for other SMEs to take part in FP6 successfully

The planned project must also have a **European dimension**. It means that projects have to have a transnational aspect. In other words: only consortia of partners from different Member States and associated countries can apply. Activities that can better be carried out at national or regional level, i.e. projects without co-operation across borders will not be eligible under the Framework Programme. In the Sixth Framework Programme, as well as in the Community Programmes in general, proposals have to refer to the areas of the European Union. It means in practice that the consortium has to consist of at least three legal entities coming from Member or Associated Countries. However, these rules vary from instrument to instrument; moreover, they can alter between the different thematic priorities, but it is always the relevant call for proposal that counts.

The core research work of the Framework Programmes is undertaken by projects that are implemented in collaboration of a group of partners who **share tasks and responsibilities**. This means that finding the right partners and setting up the collaboration or consortium is a key preparatory task. Partners need to be complementary to each other, but they must share an interest in the common problem that they are going to tackle in their research.

It is also very important to make sure that we and our **partners can participate in FP6 or not.** It is an easy process since all individuals or legal entities (e.g. enterprises, universities, research institutes, public bodies, private bodies, NGOs, etc.) originating from the 25 EU Member States, or Associated Candidate Countries (Bulgaria, Croatia, Romania and Turkey) or other Associated Countries (Iceland, Israel, Liechtenstein, Norway, Switzerland) can participate in FP6. Naturally, participants from other countries (USA, Japan, etc.) could be involved into the consortium, but their project-related costs are usually not financed by the Commission.

The chart on the next page helps you to check whether your enterprise is an eligible SME or not.

The following step is to find the most appropriate call for proposal and select the applicable instrument to the project. It is not so easy at all, since dozens of open call for proposals can be found on the official website of the programme: **http://www.cordis.lu**. On this daily up-dated site, all the information that is needed to draw up a project is available.

Before identifying the most suitable call for proposal for our project we have to decide on the budget and the length of the planned project. Moreover we must decide which thematic or horizontal priorities fit our project. Depending on the **topic of the project** we can choose between seven

SME definition

Each enterprise must be independent - i.e. 25 % of the capital or the voting rights may not be owned by one enterprise, or jointly by several enterprises, falling outside the definition of an SME or a small enterprise. This threshold may be exceeded in the following two cases:

- if the enterprise is held by public investment corporations, venture capital companies or institutional investors, provided no control is exercised over the enterprise;
- if the capital is spread in such a way that an enterprise can legitimately declare that it is not owned up to 25 % by one or more enterprises falling outside the definitions of an SME.

The present recommendations give the following definitions:

Medium-sized enterprises have less than 250 employees. Their annual turnover should not exceed 40 million or their annual balance-sheet total should be less than 27 million.
Small enterprises have between 10 and 49 employees. They should have an annual turnover not exceeding 7 million or an annual balance-sheet total not exceeding 5 million.
Micro-enterprises are enterprises which have fewer than 10 employees.

Loss of medium, small or micro-enterprise status only occurs if the thresholds are exceeded over two consecutive financial years.

The European Commission can amend the recommendation, particularly the level of the thresholds, whenever it desires and normally every 4 years.

The Commission uses this definition in all Community programmes which concern small and medium-sized enterprises.

thematic priorities, e.g. environmental protection - Sustainable Developments, Gobal Change and Ecosystems; Informatics - Information Society Technologies. If we want to submit a large project with dozens of participants, covering the whole of the EU, with a budget of around ten million euros, then we should think about an Integrated Project or a Network of Excellence as the **adequate instrument.** If we want to implement a less ambitious R&D project with a smaller budget, probably the instrument of STREP (Specific Targeted Research Project) will be appropriate for us. If one cannot find a suitable call for proposal under the thematic priorities it is advisable to look at the horizontal priorities or the specific instruments for SMEs such as CRAFT. CRAFT projects are relatively short-term (one to two years) and may address any research topic or field.

Summary

Planning and preparing for an FP6 project starts almost a year before possible funding is secured. Processing of the proposals will take a good half a year. **Planning** has to be started well before that, however. Expenses can be charged to a project only after the project contract has been signed. Any expenses incurred during the planning and preparation phase of a project cannot be covered by the EU funding you are applying for. These expenses are covered by the participating organisations' own funds or other sources of funding.

It is extremely important then that the theme of the project corresponds to the objectives of the selected call for proposal and that the proposing company or organization is eligible for the submission of the proposal without any justified cause for exclusion which would result in the loosing of all effort made previously. Therefore reviewing the guides and conditions is essential in all cases.

2. Choosing a call

The screening of the calls will be followed by the downloading of the **necessary documents.** It is possible to download the call texts of the proposals and the related Work Programme and the adequate Guide for Proposer. These three documents are the minimum ones that are necessary to submit a formally correct proposal.

First of all it is needed to download the **"Call for Proposal"**. This is the document, which contains all the general conditions (eligibility criteria) of submitting a proposal to the given programme.

Each call tells you the following:
- the deadline of submission,
- priorities,
- the budget available,
- the accessible proposal instruments
- the criteria for building a consortium,
- etc.

Call text	Language: en File Type: pdf	Download / E-mail
Work programme	Language: en File Type: pdf	Download / E-mail
FP6 in Brief	Language: en File Type: doc	Download / E-mail

Work Programme reviews the objectives of the European Commission concerning the given call. While the calls outline the main targets only in outline, the Work Programme sets out in greater detail the areas addressed in the call and the priorities which have to be attained by the proposal. The proposal must reflect these objectives. Proposals cannot be accepted if they are not focused on the priorities of the work programme.

After getting familiar with the call for proposals, and making sure that **our idea fits** the supported activities, we have to read the Work Programme very carefully.

The work programme informs the applicant on the given community policy support system and the related instruments, in other words, on the objectives that the Commission has set to be realized. In many cases, there are sub priorities, objectives belonging to one call. The work programme gives detailed information on each such priority so that the proposer can make sure that his ideas really fit into the circle of supportable activities.

Having found the suitable call for proposals and having chosen the most suitable instrument to address the call, we have to download the appropriate **Guide for Proposers**. The proposal can be prepared on the basis of this document.

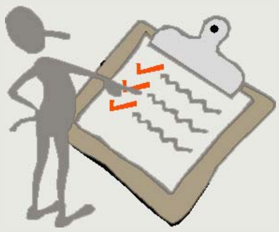
The Guide for Proposers is a document often referred in calls for proposals. The guide helps the proposer in preparing a good proposal by describing the formal requirements. It sets out in detail the structure and chapters of the proposal, the maximum pages for each chapter, the required charts, diagrams and annexes.

The Guide for Proposers generally contains the **administrative forms and detailed guidance** on how to complete the forms. The Guide describes the different ways of submission (printed/electronic), the deadline for reception (given in local time of Brussels) and the address where the proposal has to be sent.

Proposals for FP6 consist of two parts:
· Part A is a **set of forms** which collect necessary administrative information about the proposal and the proposers e.g. proposal name, proposers' names and addresses, brief description of the work, total funding requested by type of activity, etc. This information will be encoded in a structured database for further computer processing to produce statistics, evaluation reports etc., and also to support the experts and Commission during the evaluation process.
· Part B comprises a structure or list of headings, which should be followed to describe the **scientific, and technical content** of a proposal, rather than a pre-prepared form. It describes among other things the nature of the proposed work, the participants and their roles in the proposed project, it follows a structure given in the (call- and instrument-specific) guide for proposers. It describes the reasons for carrying out the work, and the benefits, which would come from it. A recommended length is specified for the different sections of Part B.

The guides contain the administrative forms for Part A and recommendations on how to write Part B.

Part B - Typical content list:
- Front page
- B.1 Objectives of the proposed project
- B.2 Relevance to the objectives of the given Sub-Priority
- B.3 Potential impact
- B.4 The consortium and project resources
- B.5 Project management
- B.6 Workplan
  - a) Workplan introduction - explaining the structure of this plan and the overall methodology used to achieve the objectives.
  - b) Work planning, showing the timing of the different WPs and their components (Gantt chart or similar)
  - c) Graphical presentation of the components showing their interdependencies (Pert diagram or similar)
  - d) Detailed work description broken down into work packages
- B.7 Other issues



Summary:

After **identifying** the most appropriate call for proposal to your project, you have to **download** all the relevant documents which can be found on “Cordis” website under the relevant call.
The content of the call for proposal has to be examined very carefully in each case. The call includes all important information that is necessary to decide whether the proposer is eligible or not, or whether it is advisable to submit a proposal at all. The Work Programme informs you on the detailed

priorities, subpriorites and the eligible instruments of the given call. The Guide for Proposer contains the application forms and gives a detailed description on how to prepare and submit the proposal. The Guide for Evaluators is available for all proposers and it is recommended to be **read very carefully,** since it gives the proposer the opportunity to read through the proposal with the 'eyes' of an evaluator and to make necessary corrections before submission.

3. Preparing a proposal

Part A - Administrative forms

Use the Guide for Proposers for filling out the administrative forms. Read and follow the instructions carefully. The forms are easy to complete with the help of the Guide.

Part B - description of the project

Some instructions and major rules on how to complete these parts of the proposal.

Ideas

The proposal stage involves working on your project idea, outlining the scope of the area to be developed and finally **focusing the idea**.

Writing the proposal means putting the plans in the form of an application. It is advisable to study the application forms and instructions in the early stages of planning, so you will know what kind of questions you will have to answer.

It is important to take important **trends in your sector** into account when planning your project. Topical themes may be different in different partner countries and for this reason it is important to **involve** foreign partners in the planning process as early as possible. All partners should have concrete benefits from the project, its results and products. This is also important with regard to partners' motivation.

Planning your project

It is important that the coordinator and others involved in planning know the subject matter of the project well, as it will help take all relevant issues into account and find the right people and partners for the project.

Partners and partner countries often have **different roles** in a project. Some partners may be responsible for developing the proposed product, whereas others may be responsible for dissemination of information and evaluation of products and activities.

Build the partnership

The partnership of a project consists of different types of organisations, each of which have their own cultures and ways of working. The coordinator should have good **interpersonal** skills.

When putting up the partnership, the main crieria is that partners have the **relevant** expertise. It is not enough that you know your partners and that they are experienced in working in projects - they must also have the expertise needed. The roles, tasks and responsibilities of partners have to be described in the application. Each partner must have a **clear and suitable role** with regard to achieving the proposed goals.

The transnational dimension of a project

The European (transnational) dimension of a project is a **key issue** in the project and more emphasis is put on it in the proposal. Why is the project done in cooperation with several countries? How do partner organisations from different countries benefit from it? Will the proposed products be genuinely transnational?

Dissemination

FP6 focuses clearly on concrete results and products. The products of a project should be available for use also outside the partnership. For this reason, dissemination of results plays a central role in a project and a dissemination plan and strategy is an essential part of project application.

Dissemination involves among other things:
- distribution of **information** about the products and results of a project
- making sure that others can **benefit** from the products and results
- **commercialisation** of products

In practice, dissemination can mean:
- distribution of information about the project in the beginning of a project
- testing and presentation of results and products to receive feedback during a project
- at the end of a project, securing the distribution of created products through own organisation or by using other channels.

Dissemination must be planned so as to support a project's impact in each partner country. There is no universal model for dissemination.

The most relevant target groups, means and channels of dissemination must be taken into account in the dissemination plan, but don't make it too complicated. Even small measures can be effective when the target group and the forum are well chosen.

Funds should be reserved for dissemination, for example, for producing brochures or creating a web site. It is often necessary to include dissemination expenses in personnel and production costs.

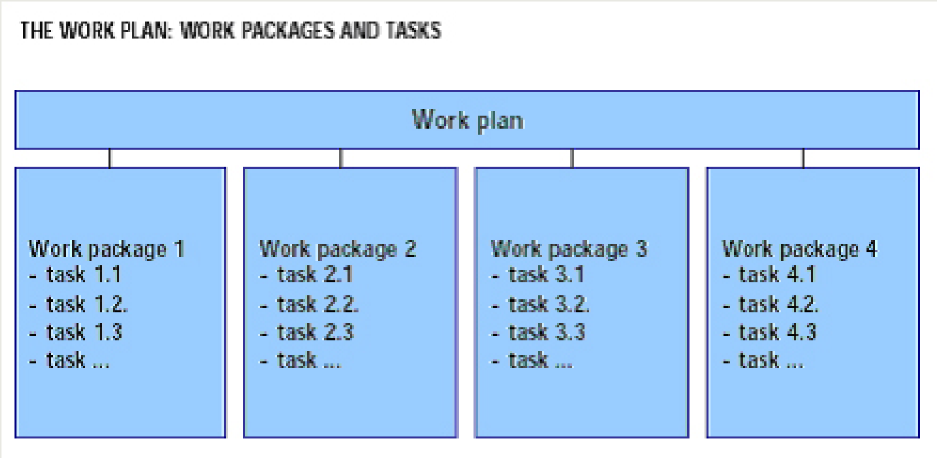
Work plan

The overall workplan is a statement of what you will have to do to achieve the desired objectives of the Call. The overall Workplan is normally broken down into a number of work-packages, each with its **own particular objective**. Workpackages are usually part of the proposal dossier, but an inside subject matter of work, as well. Workpackages determine the tasks and the procedure for the project. That is how the project is to be carried out. They are important also because of budgeting, since proposers identify their costs, and the decision-makers on the proposal control, such that the expenditure planned in the budget is in accordance with the requirements of the individual workpackages.

Being required in the proposal dossier, the contents of workplan is defined by the announcement. Generally, a graphical presentation showing the components of the different work packages is an essential element. A description of each work package must be attached, for which the recommend-ed length is stipulated. The planning should include the schedule of work phases, their parallels and build-ups, and also how they are distributed within the consortium.

With the help of a detailed, well-prepared workplan, broken down into workpackages it is relatively easy to find out the **make up of the costs** during the execution of the project. Distributing the objec-tives by participants helps to determine their share of costs.

All in all, the workpackages and the relationships between them are one of the most important parts of the proposal. The budgeting system will be built on that. However, at compiling a budget it is not enough to estimate the incurring costs, but also costs eligible to be subsidized and costs non-eligible to be subsidized should be sorted out.

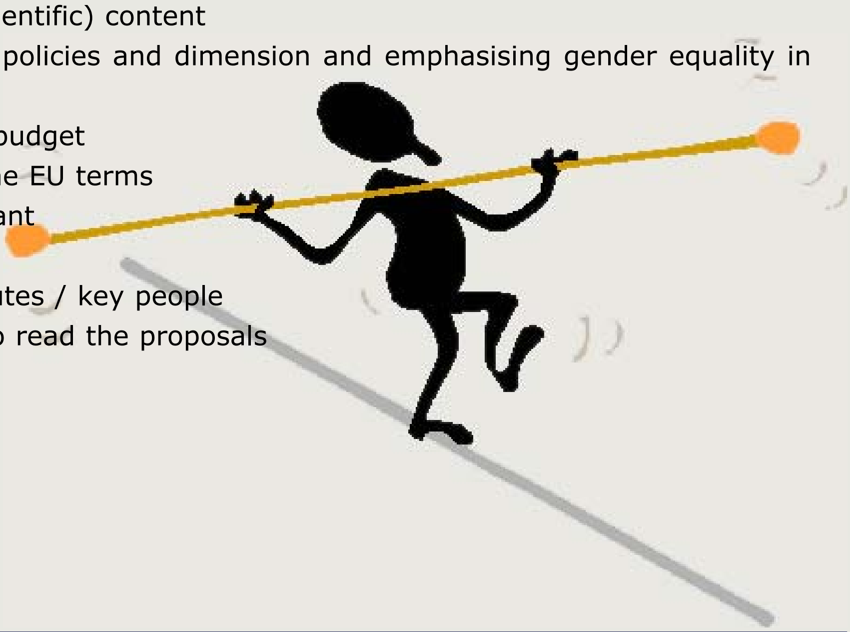


Budget

The budget is always linked to the work plan. Each expense **should be related to** some work package or task. You need to get all necessary information from your partners: general level of costs and salary level in their countries and all their specific needs, such as sub-contracting etc. It is to be noted that there might be **budget cuts** when an application is approved. Normally they are due to for example too high personnel costs or too high costs in relation to suggested work plan. The partners in the project should be aware of this risk in advance, and to avoid such cuts it is of course very important to pay attention to realistic budgeting upon preparing the application.

Tips for preparation of successful proposals

- » Be up-to-date, be familiar with Cordis!
- » Involve experienced partners in your consortium
- » Pay due attention to EU policies and other (e.g. gender) issues
- » Only massive projects built around good ideas to be implemented by a strong consortium have a real chance
- » Partnership and management must be tailored to suit the project objectives
- » Demonstrative presentation of the project's goals, necessity and importance
- » Appropriate demonstration of the (scientific) content
- » Contribution to EU social objectives, policies and dimension and emphasising gender equality in the project are strongly advised
- » Robust objectives require a massive budget
- » Professionally composed text - use the EU terms
- » Preparation of the proposal is important
- » Proper format
- » Appropriate introduction of the institutes / key people
- » The evaluators have LIMITED TIME to read the proposals
- » Self explanatory tables and diagrams
- » To address the evaluation criteria!!
- » Clear English



Further important issues

- Pay attention to the indicated length of the sections
- Use pictures, tables, diagrams - they could often show more than the plain text
- Use the Checklist
- Use the Guide for evaluators - respond to all the evaluation criteria (before submission proofcheck the proposal, and read through as an evaluator should do)
- Date: not the postal stamp but the delivery is considered
- No opportunity for completion of documents posterior

Fatal mistakes

- Incomplete proposal (Must have a Part A and Part B)
- Ineligible consortium
- Out of scope of call (activity or instrument)
- Focusing on a purely national issue, or one with no benefit to the EU
- Late submission

Handicaps

- Wrong instrument chosen
- Not conforming to required Part B contents, length
- Unfocused project, diverse aims
- Lack of scientific and technological excellence

Phase 2: Negotiating

1. Evaluation of Proposals

In case of FP6, the European Commission carries out the evaluation and selection of proposals with the assistance of independent experts (evaluators).

There is a public call in each programme for individual experts to become evaluators. The basic criterion of application is to have relevant expertise in the given field. The potential evaluators are registered in a database. In the period of evaluation the Commission chooses experts from this database and asks them to take part in the evaluation procedure.

While choosing the experts, there is an appropriate balance between
- · Academic and practical expertise
- · Gender
- · Distribution of geographical origins

Evaluators perform evaluations on a personal basis, not as representatives of their employer, their country or any other entity. They are expected to be independent, impartial and objective, and to behave throughout in a professional manner.

As the first step of evaluation, the European Commission officials check the proposals formally:

Eligibility criteria of proposals:
- · If the proposal arrived by the deadline
- · If the criteria for minimum partnership is fulfilled

· Formal completeness of the proposal (each form, project description is submitted)
· Submission is not allowed by fax, but is possible in electronic form- for some proposals, electronic form is the only way.

If the proposal is formally correct and meets the general eligibility criteria, the real evaluation can begin.

2. Evaluation procedure in FP6

· Step 1: Briefing of the evaluators
All evaluators are briefed orally or in writing by representatives of the Commission's service in charge of the call, in order to inform them of their responsibilities, the general evaluation procedure and the objectives of the research area under consideration.

· Step 2: Individual evaluation of proposals
Each proposal is evaluated against the applicable criteria by several evaluators independently, who fill in individual evaluation forms giving marks and providing comments.

6 main criteria are included in the evaluation process, and several sub-criteria within these. For each evaluation criteria detailed explanation, motivation should be given by the evaluators, not only simple scores. The score for the main criteria is not automatically the mathematical averaged of the scores for the sub-criteria. At the end of the evaluation, based on their opinion, the evaluators have to give an "overall mark" for the proposals.

There is a minimum threshold for the main criteria that have to be reached by the successful proposals. The minimum thresholds have to be reached for each main criterion. There is a threshold also for the "overall mark" (which is usually more than the sum of the thresholds of the sub-criteria!). Weighting of the scores for the main criteria can be applied.

Proposal marking
0-5 points for each main and sub-criteria:
-0 - the proposal doesn't contain proper or any information for the given criterion
-1 - poor
-2 - fair
-3 - good
-4 - very good
-5 - excellent

Half score can be given as well!

In the individual evaluation "within scope" assessment is the most important - is the proposal within the scope of the given evaluation panel (work programme, priority areas)
· If yes, evaluation can be continued
· If not, or not definite, the evaluator informs the moderator
If all the evaluators have the same opinion, the proposal can be passed on to the relevant panel (this is the competence of the moderator) (within the same priority for example)

Individual assessment report (IAR) - IAR: a 2-3 page document completed by each expert

Main evaluation criteria in an R&D project (an example):

I. Evaluation summary
II. Recommendation
Criterion 1. RELEVANCE
Criterion 2. POTENTIAL IMPACT
Criterion 3. S&T EXCELLENCE
Criterion 4. QUALITY OF THE CONSORTIUM
Criterion 5. QUALITY OF THE MANAGEMENT
Criterion 6. MOBILISATION OF RESOURCES

Criterion 1: **relevance to the objectives**
e.g. how does the project address the scientific / technological problems or need of a group of SMEs
threshold: 3

Criterion 2: **Potential impact**
· Usefulness for the industry
· Does the project have suitably ambitious goals?
· Timing of the potential impact
· Increase the competitiveness of the partners (SMEs!)
· Need to perform the work at European level (European added value)
· Exploitation/dissemination plan
threshold: 3

Criterion 3: **Scientific/technological excellence:**
· Clearly defined, well focused objectives
· Clearly described methodology
· Clear links between aims and methodology
· Scientific/technological level - substantial progress beyond current state-of-art
· Novelty (innovative character)
· Elaboration of the workplan
· Feasibility
threshold: 4

Criterion 4: **Quality of the consortia:**
· Balance and quality of the partnership (proper participation of end-users, SMEs)
· Quality of the research partners
· Competence of the SMEs to their tasks
· Complementary character of the partners' capabilities
· Are all partners really necessary?
threshold: 3

Criterion 5: **Quality of the management:**
· Proper management structure
· Proper identification of the role of the company
· Quality of the management, experience of the coordinator and the management
· Satisfactory plan for the knowledge and IPR (intellectual property rights) management
threshold: 3

Criterion 6: **Mobilisation of the resources:**
· Adequate plan for utilization of the resources (personnel, financial, equipment)
· Adequate financial plan
· Cost per participants / workers
· Administrative costs (travelling etc.)
· Coherency of the resources
threshold: 3

In addition to the blocks of evaluation criteria to be evaluated, the following issues also need to be considered during the evaluation, and recommendations made if appropriate:

1. **Ethical and/ or safety aspects** - have they been identified and taken into account?

2. **Other horizontal issues**
· Gender - are there any gender issues associated with the subject of the proposal and, if so, have they been adequately taken into account?
· Readiness to engage with actors beyond the research community and the public as a whole, to spread awareness and knowledge and to explore the wider societal implications of the work.
· The synergies with education at all levels.
· The justification and integration of any third country participation in the proposal.

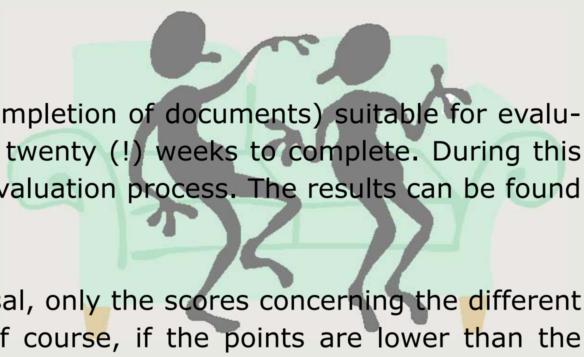
In general, while evaluating proposals, evaluators should bear in mind the extent of the participation in the consortium of the various actors (e.g. universities, industry and SMEs) and the balance of participation in the consortium. It should be noted that the Framework Programme particularly encourages participation by small and medium-sized enterprises (SMEs).

If during their individual reading of a proposal evaluators have noted that there are ethical issues touched on by the proposal, they must flag this by using the tick box provided on the Form IAR. The issue will then be further discussed at the next step.

· Step 3: Consensus
For each proposal a consensus report is prepared. The report faithfully reflects the consensus of the views of the evaluators referred to in Step 2.

· Step 4: Panel evaluation
A panel discussion is convened to examine and compare the consensus reports and marks in a given area, and to make recommendations on priority. In some cases the panel discussion include hearings with the proposers.

3. Negotiation



Upon finding our written proposal (with or without the completion of documents) suitable for evaluation, the first phase of evaluation can take from two to twenty (!) weeks to complete. During this time our proposal will go through the already described evaluation process. The results can be found in the Consensus Meeting Form.

No information is given here on the success of our proposal, only the scores concerning the different evaluation aspects with a short summary are shown. Of course, if the points are lower than the

threshold mark quoted on the form, our project loses its chance to receive funding. If the evaluation points are above the threshold mark, our project is included in a list of accepted proposals, and the requested amount of funding plus available financial assets determine the number of projects from the list actually receiving funding.
Although the Commission normally indicates a typical size of project within the budget allocation, it is implicit that if the first few successful proposals request a very high amount, the total number of supported projects will be quite low, and vice versa.

Letter of acceptance or rejection

One of the most awaited responses during project procedure is the letter of acceptance or rejection. If our scores are under the threshold level, the contents of the letter will be no surprise. Equally likely is the possibility of getting rejected despite higher-than-threshold points due to many similar fine projects. If points are adequately high in both a relative and an absolute sense, the project could get funding. Letters beginning with the phrase **"I'm pleased to inform you"** do not mean that you will receive the requested funding, they only inform the proposer, and the consortium, that the Commission is willing to support the project, so we can start with the Contract Negotiations. For this purpose they appoint a person responsible for contract negotiation talks (also known as the desk or scientific officer) and attach the list of documents needed to initiate contract negotiation.

The aim of contract negotiation, also called Revision Phase in other cases, is the drafting of documentation describing the project in an exact and legally controllable way, based upon the submitted and evaluated proposal within the mutual co-operation between the Commission and the applicant. It is important to note, that while the submitted and evaluated document is only a proposal, the document based on this proposal and attached is already a technical appendix to the contract itself, and thus obligatory from the proposers point of view.

During Contract Negotiation a **two-way communication** evolves, with the Commission suggesting or inquiring and the applicant answering. Contract Negotiation usually takes one to five months on average to complete, but in extreme situations this could take longer. Typically the following question groups arise during Contract Negotiation:
a. administrative questions
b. technical/professional questions
c. financial questions

Administrative chapters

During this phase data concerning partners and the co-ordinator is specified, more detailed documents are presented proving the existence of the companies (balance sheets, copy of registers). The co-ordinator gathers these documents from the partners and forwards them to the Commission. **Up-to-date contact** is necessary between partners and the co-ordinator, because the allocated time to prepare and forward some documents can be typically 2-3 days long, probably also testing the ability of the consortium to co-operate in an effective way.

Professional and financial issues

One of the most emphasised parts is that of professional and financial questions and their conformity during Contract Negotiation. Naturally the main objective is the negotiation of a contract suitable for both applicant and funding body in the best possible way. In most cases this means a real negotiation process, with the typically **cost-reducing policy** of the Commission responded to by the applicant by reducing the size or number of tasks in the project. The essence of these procedures is to keep in mind: after all it is the Commission acting as negotiating partner (that is, equality exists only on paper). However, if common grounds are found, a truly advantageous position of negotiation is achievable - all this is just a matter of practice.

Contract submission

Depending on the complexity of negotiations, the procedures discussed earlier can take one to five months or even longer to end. But everything ends eventually, so Contract Negotiation will be considered closed after a time by the Commission. The Contract is sent out at this point, and it has to be signed by both the co-ordinators and partners. If they sign everything according to the rules, the contract is sent back to Brussels, it being typically the last signatory. In most cases the first day of the month following the last signature (that is, the signature of the Commission) will become the starting date for the project, although differing cases may occur (eg. LIFE-III).

After contract signing

Project implementation starts after contract signing, typically initiated by a so-called kick-off meeting. The Consortium Agreement, an inside arrangement between partners is signed and project management issues are discussed at the kick-off meeting. It is usually possible to draw an advance (max. 40%) amount from the funding at this stage, sometimes however this is bound to bank guarantees.

Phase 3: Managing and reporting

How should project management tasks be defined by the company?

Many presume that the preparation of the project proposal and its success are the most difficult ones when it comes to EU funded projects. However, project implementation is the most difficult of all tasks. This statement is especially true for project proposals directly funded by EU Community Programmes via Brussels. The responsibilities, tasks of project managers (executors) are quite diverse. There are no two similar projects. Below we summarize the project management tasks and Geonardo Ltd. will provide some useful advice regarding EU funded projects and their implementation.

The company or the coordinator of the consortium will appoint the key personnel responsible to implement the project. In order to select the most suitable candidate, we must be aware of the tasks and responsibilities of the project manager:

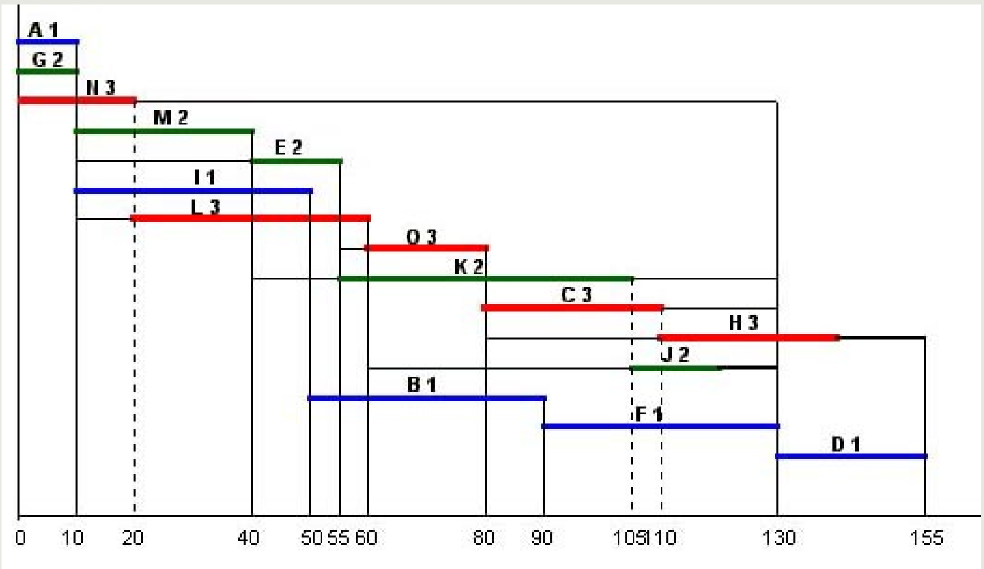
- Technical implementation of the project on a consortium level
- Entire legal, ethical and administrative management
- Financial management of the project, resource management, ensure constant liquidity
- Coordinating the consortium (from the preparation of consortium agreement to final payment)
- Protection of IPR (Intellectual Property Right)
- Reach and guarantee the overall objectives of the project in accordance with EU principles (gender equality, protection of the environment etc.)
- Accounting

The official start of the project is when the contract is signed by the official representative of the European Commission. How should we proceed? Our project proposal has been accepted, the selected project manager has the following data:

· Consortium (tasks of the partners)
· Detailed budget
· Project workplan
· Expected results

The first step is to arrange/organise the **kick-off meeting**. At this meeting, the members of the consortium sign the internal consortium agreement, set up the communication, control system of project management and introduce the financial administration and accounting rules (decided by the coordinator.) The consortium will appoint the leaders, managers of the given work phases/tasks and at the same time defines human and financial resources necessary for the implementation.

In order to implement the project successfully, one must work out the detailed workplan (broken down into months or even into weekly tasks). The Gantt-diagram is a useful tool, which makes it possible for us to have a clear **view of the schedule** of the project from the beginning until the end. Another simple tool is the excel spreadsheet. The project manager may administrate the utilized resources, liquidity of the project etc. broken down according to his/her preferences. The financial management (accounting) of the project certainly needs separate administration.



A sample of Gantt chart

In order to ensure and secure the efficient implementation of the international consortium, the project manager must work out the following **implementation tools/methods**:

· General strategy regarding project implementation
· Consortium agreement
· Quality assurance
· Conflict management
· Risk management
· Financial management
· Communication management
· Organisation of meetings, negotiations
· Dissemination activities
· Business plan
· Matters relating to IPR

Useful advice/hints on successful consortium management:

Deadlines:
(The word deadline is understood in different ways in cultures!)

- A control mechanism must be set up, which shall enter into force in case partners do not meet the deadlines
- A good communication system is needed to avoid possible misunderstandings, risks arising from cultural differences
- Time management is sometimes crucial

Consensus:
(It is difficult to make unanimous decisions in a multi-partner consortium!)

- A decision must be made at the meetings, do not postpone!
- Decisions must be written down (Minutes of the meeting)
- The minutes of the meeting should be accepted by all participants
- The decisions may only be modified unanimously
- Guarantee of trust

Human resources:
(In case of long term projects, the allocated human capacity may change, the new personnel may have new ideas, new requirements.)

- The quality of the work depends on the people, who do the job and not on the partner organisations - individuals must be focused on
- Always listen to the opinion of your staff and their cooperation

Apart from the indirect benefits of the implementation of a successful international project, a small enterprise may begin to establish a network in its own field of expertise or may join one without any significant costs. During the development of the project and the evaluation many expert will add good ideas/modifications to the proposal without raising problems of intellectual property rights of the owner of the idea. The knowledge will be used during the implementation and all the participants can gain experiences that can be useful also in their every-day activities.

Further advice:

Accounting, preparation of reports:
(One tends to forget what has been achieved or done!)

- Everything must be done in time (Project workplan)
- Results must be registered and documented (Later these results will be used for the preparation of monthly and annual reports.)

Results:
(EU funded projects generally are long-term investments!)

- Achieved results must be sustainable
- The short-term results of the project will not provide for financial stability of the company
- Always inform partners, end-users and the Commission about the project status

After the completion of the project, all interested parties should be informed about the achieved results of the project, not just the European Commission.

Financial management

Principles connected to proposals

· The amounts of EU subsidies related to the project are recommended to be set and handled on a separated bank-account
· It is practical to give all projects an own identifier.
· In terms of the project, costs are to be accounted only after contracting.

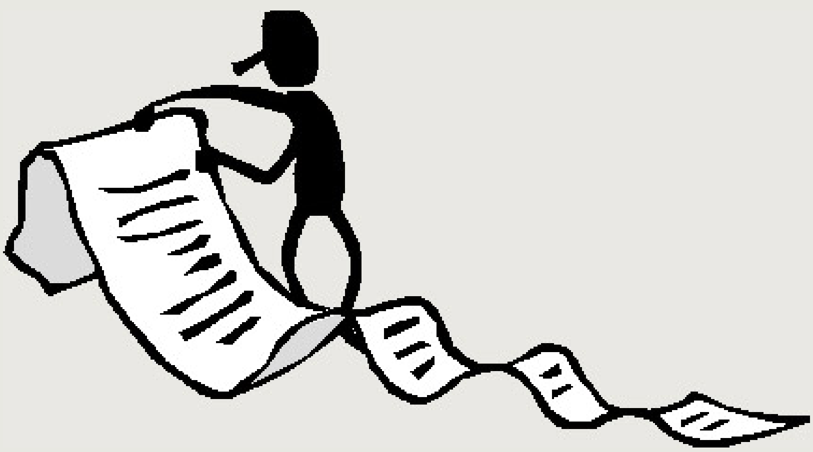
Settlement

All contracts contain the precise schedule of settlements and the disbursement of funds. At the end of each defined term, with the help of the forms attached to the contract, the co-ordinator makes a financial report to the Commission about both his/her own costs and the costs of the consortium (attaches the financial reports of the partners). These financial reports are not confirmed in writing, because the transfer of the next instalment proves acceptance. But at the end of the project, the Commission sends a written advice about the acceptance of the final report (before transferring the last 15 per cent of the funding).

Generally, the European Commission transfers the endorsed amount of money to the co-ordinator in instalments, and the co-ordinator is obliged to forward the money to the partners within 30 days after receiving it from the Commission.

After signing the contract by the Commission and the co-ordinator, advance money, which is 20-40 per cent of the complete budget depending on the programme, is allowed to arrive at the co-ordinator's bank account. In case of some programmes there is no advance payment, and the EU finances the costs, after submitting the first report. The further instalments arrive within 30-90 days after approval of the periodical and the final reports.

A certain amount of the full amount is withheld till the acceptance of the last professional and financial final report. Bills and vouchers are to be kept for five years after the finish (ultimate settlement) of the project. Related to the settlement, but overall to financial management setting and reclaiming VAT is a very important issue.



General hints:

- Set up a financing schedule at the beginning
- Keep the workplan and complete the project until the deadline, within the budget lines
- Ensure liquidity
- Fulfil the reporting requirements and respect the financial guidelines of the EU (book-keeping, invoices, etc.)
- Avoid eventual losses (exchange rate risk, non-performance of partners, etc.)
- Continuous monitoring of the project and coordination of project tasks with the financing schedule (Coordinator!)
- Keep separate book-keeping
- Make provisions for unexpected events

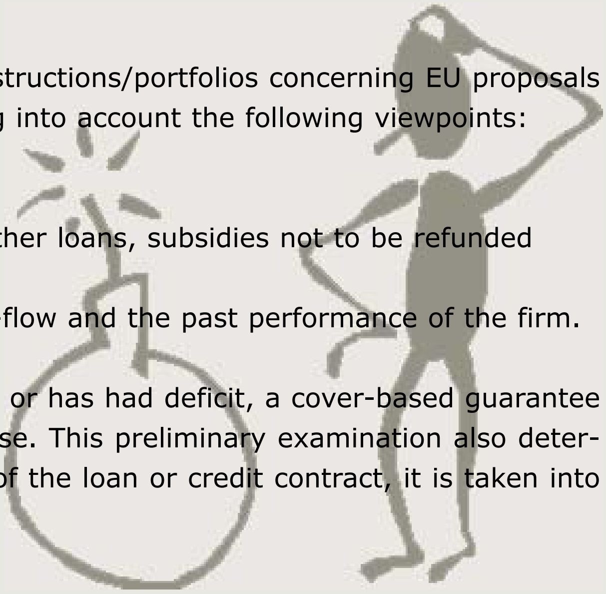
CO-FINANCING AND THE ROLE OF BANKS

Both in the course of submitting a proposal and completing projects, proposers have to face financial problems that can be solved only with the involvement of banks. Therefore, at the end of this chapter we are examining the role of banks as a source of funding. The following services may be demanded in the course of submitting a proposal:
· Professional consultancy: employees of the bank may help to draw up a financing scheme for the project, and to find the best fitting construction. It is worth seeing whether indeed the subsidy through proposal is the best solution to finance the investment, or the proposer might be better off with a reduced interest rate loan, because of less administration and shorter lead time. If it were decided to go ahead with the proposal, the bank cannot help writing it because it would be illegal.

- Justifying the excess: the loan-office gives a certificate on the proposer's account stating that they have sufficient resources for their contribution
- Credit/loan: if proposer wishes to cover a part of their contribution from credit or loan, a promissory note from the bank or a signed loan-contract is required for the proposal submission.
- Cover: In special cases it is obligatory for proposers to get a bank guarantee attached to the proposal.

Most of the banks have been providing the funding constructions/portfolios concerning EU proposals for some while. All of them are worth exploring, taking into account the following viewpoints:
- How much is the rate of own contribution
- VAT is not an eligible cost
- Which is the best construction: leasing, bank credit, other loans, subsidies not to be refunded
- What are the accounting principles of funding
- Giving bank guarantees, banks examine first the cash-flow and the past performance of the firm.

As long as the enterprise has been recently established, or has had deficit, a cover-based guarantee contract is possible, but this is more expensive, of course. This preliminary examination also determines the credit record of the proposer. At the signing of the loan or credit contract, it is taken into account.



What are the benefits and disadvantages of taking part in an FP6/FP7 project?

Benefits

- EU subsidies in general shall not be refunded. Therefore, from an economic point of view they are much cheaper financial solutions than market-based financing.
- In most cases EU funded projects are based on international, territorial or professional cooperation. In the framework of the cooperation partners will share their knowledge, equipment and other resources.
- Partnership networks will give competitive advantage to proposers
- Reference value of European funded projects
- The project results and knowledge gained will be accessible to all project partners, increasing their intellectual capital.

Drawbacks

- The application procedure is rather long, and during this time irreversible changes may take place which effect the pre-conditions of the project. Under these circumstances precise financial planning is difficult.
- Imposed rules; requirements may militate against the implementation of the project (e.g. requirement for international cooperation, language constraints and restrictions on the use of the grant, etc.)
- Administrative tasks and obligations may hinder the realisation of the project

Before submitting a proposal, one shall analyse whether benefits compensate drawbacks, and determine what other financial resources might be available in order to implement the project. Alternative financial sources might be: guaranteed bank loan, current assets credit, venture capital, involvement of business angels into the project etc.

Micro-sized enterprises	**Small enterprises**	**Medium sized enterpises**	**Large enterprises**
· Participation in any programme without restriction · Practical condition: professional knowledge in the given field · Financial results in the previous years have a minor importance · Difficulties in the settlement of accounts · Sometimes its more advantageous to be a subcontractor	· Participation is highly recommended · Innovative, dynamic companies with development potential, with an important role in the project · Financial results in the previous years: minor importance · Partial - financed fundings: the procuring of self -resources · Human resource - problems: experts who have good foreign - language skills, developed administration	· Extremely advantageous, the participation is encouraged · Dynamic companies, with an important or determinable role in the project · Partial – financed fundings: the procuring of self – recourses is not an aspect · The aim of obtaining a support is not primarily the procuring of resources · Developed, efficiently working administration helps the participation and the management of projects	· Open participation in any programme, excluding SME's specific measures · Determinable role in the consortium · Financial support has a secondary importance, clearly strategic aspects are taken into account · Market obtaining, the support of suppliers, R+D outsourcing, PR, the strengthening of reference – background for the participation in large tenders · Direction of the European politic - shaping

What are the most important aspects to take into account?

Where to find information?

General Information on the European Union

1. Official site of the European Union: http://europa.eu.int/
2. European Commission: http://europa.eu.int/comm
3. Directorate General Environment - for general information of European environmental policy: http://europa.eu.int/comm/environment/index_en.htm
4. Directorate General Energy and Transport: http://europa.eu.int/comm/dgs/energy_transport/index_en.html
5. Directorate-General ENTREPRISE - European Commission: http://europa.eu.int/comm/enterprise/index_en.htm
6. Support measures and Initiatives for Enterprises database: http://europa.eu.int/comm/enterprise/smie/index.htm
7. European Law: http://europa.eu.int/eur-lex/en/index.htm
8. Europe Direct - first-point contact for general enquiries to the European Union: http://europa.eu.int/europedirect/

The Sixth Framework Programme

1. The Sixth Framework Programme for Research and Technological Development (2002-2006): http://europa.eu.int/comm/research/fp6/index_en.html
2. Community Research and Development Information Service: www.cordis.lu
3. FP6 partner search: http://www.cordis.lu/fp6/partners.htm
4. FP6 Calls: http://www.cordis.lu/fp6/calls
5. SME Tech Web: http://sme.cordis.lu/home/index.cfm
6. CORDIS e-mail alert system: http://www.cordis.lu/rapidus
7. Candidate Countries on Cordis: http://www.cordis.lu/candidate_countries
8. National Contact Points (NCPs): http://www.cordis.lu/fp6/ncp.htm
9. The Euro-Info Centres (EIC) network: http://europa.eu.int/comm/enterprise/networks/eic/eic.html
10. Innovation Relay Centres Network: http://irc.cordis.lu/whoswho/home.cfm

Other funding opportunities

1. LIFE III - Environment: http://europa.eu.int/comm/life/home.htm
2. Intelligent Energy for Europe: http://europa.eu.int/comm/energy/intelligent/index_en.html
3. Marco Polo programme: http://europa.eu.int/comm/transport/marcopolo/index_en.htm

Other Information on Tenders and Grants

1. Europe Aid Website http://europa.eu.int/comm/europeaid/index_en.htm
2. Grants and loans database on Europa gives an overview of all EU programs and instruments: http://europa.eu.int/grants/index_en.htm
3. TED, tenders electronic daily: database of public tenders published in the Official Journal of the European Union http://ted.publications.eu.int
4. Electronic public procurement: http://simap.eu.int/

How to check the possible partners?

Problem: Project proposers must involve other partners from different countries to implement their ideas.

Solution:
Whichever solution we choose in partner searching, it is possible that we have to "select" from them because there are too many firms or organisations that want to become part of our proposal.
Frequent Question: How to assess partners or check their reliability?
The best method is to check the references of the person. Choosing a partner, who has numerous European Union references, it is impossible that we make a wrong decision.
Provided we are still unsure, we should get more information about that partner's projects. If we say that working out a project is like a marriage, then preparing the partnership is like an engagement. We can try to determine how capable of work, creative or reliable our partners are. The good coordinator gives tasks to the partners (here: partner-candidate) when preparing the project.

If the partner is an enthusiastic worker and keeps to deadlines, we can draw a conclusion whether the cooperation will be successful. It is useful to examine the partner's web site, to see how good it is. If there is only an "under construction" sign weeks long, then it may be that that 'partner' is not a good choice. We have to work in international consortiums very often, that is why distance is also a hindering factor of cooperation, but 95% of it can be eliminated by communicating over the Internet.

How to solve the language problems? - It is not so simple as it seems.

Problem:
In Eastern - Europe the lack of language knowledge is a huge problem. Most part of the region's entrepreneurs speak just a little bit of English, but there are some who don't speak any foreign language. People who speak more languages are just a few. EU - project proposals must be filled in English, so companies must solve this problem.

Solution:
· Proposers must find an SME where the entrepreneur or somebody else speaks fluent English - or at least German or French.
· SME must employ specialists who can manage a project in English and can communicate with foreign partners.

How to avoid alibi involvement of SMEs from NMS, ACC?

Problem:
At the consideration of EU - proposals for old-member states' companies is an advantage if they co-operate with new (or future) member states' companies. But in some cases the old and experienced entrepreneurs take the advantage of these ones but they won't share the tasks and the budget with them.

Solution:
· Participate in all steps of the preparation of the proposal and don't let the partner do everything. Ask the partner to inform you about everything in connection with the project.
· It is important for you to insist on being assigned real tasks with corresponding budget to avoid being merely an alibi partner in the project.
· Being allocated a fair budget - in correspondence with the tasks assigned - is also an element of major importance. You must negotiate your budget with the project coordinator in due time before the submission of the proposal in order to avoid being allocated significantly smaller budget than that of the other partners.