FME-scheme - ESA requirements to annual work plan and accounting report

Centres for Environment-friendly Energy Research (FME) - Requirements to Annual work plan and accounting report to ensure that activities satisfies ESA Regulations for State Aid for Research and Development and Innovation

The centres will be obliged to submit an **Annual work plan** for the RCN's approval and an **Accounting report** of the activities. The Accounting report is due 20. January. The interaction between RCN and the host institution in a normal year will be as follows:

Date	Event	RCN	FME
01.01 - Year 1	**Annual work plan**		Submit
15.01 – Year 1	Annual work plan	Approve	
15.03 – Year 1	1.tertiary grant	Pay subject to approved work plan	
01.06 – Year 1	**1.progress report**		Submit
01.07 – Year 1	2.tertiary grant	Pay subject to approved 1.progress report	
15.11 – Year 1	Part of 3. tertiary grant	Pay subject to approved 1.progress report	
01.12 – Year 1	**2. progress report**		Submit
20.01 – Year 2	**Annual accounting report based on work plan**		Submit
30.01 – Year 2	Final payment of grant	Pay subject to approved Annual acc. report	
01.04 – Year 2	**Annual report**		Submit
15.05-15.06–Year 2	**Site visit**	CRI-contact person and project manager	Present activities

The RCN will scrutinize the annual work plan to ensure that the research planned is classified correctly and that the financing of each subproject is compatible with the ESA Guidelines for state aid, Chapter 14 "State aid for research and development and innovation" (1).

For each FME a senior adviser in the RCN staff with professional background within the thematic areas of the CRI will be assigned to monitor the Centre.

Annual work plan

The annual work plan report should include the following main items:

- **A detailed description of the projects to be carried out**,
  This should allow RCN to monitor that that the research activities of each project is correctly classified and within the ESA requirements. RCN will also refer to the following documents "RCN General terms of Contract" (2), "CRI Requirements and guidelines" (3) and "Agreement document for Centre for Research-based Innovation" (4). which have to be adhered to for the CRIs.
- **Funding and cost for each of the projects**

The enclosed Excel-template (Enclosure 2) describing funding and cost for each of the projects must be filled in. A guideline for completing the Excel-template will be found in Enclosure 1

The host institution will receive 80% of the RCN grant through the 1., 2 and 3. tertiary payment during the year, but the final 20 % of the annual support from RCN for the FME will be paid only after the accounting report is approved.

Annual report of activities

The accounting report must be presented by 20. January the subsequent year. This report must describe how the Annual work plan is implemented. The accounting report should document that the activities within the budget of the FME are research activities compatible with the ESA Guidlines for State Aid for R&D. The same Excel-template as for the Annual work plan must be used for the accounting report.

If the levels of public aid is overstepped, the support from RCN to the host institution will be reduced accordingly. In the case that the host institution through the 1., 2. and 3. tertiary payments has received more public support than acceptable, the first instalment for the next year will be reduced accordingly.

The host institution must keep separate project account for FME specifying actual expenses for all subprojects. Project accounts may only be debited for expenses which are directly related to performance of the project and within parameters of the project plan. RCN is entitled to verify that funds are being spent accordance with the contract. Upon request the host institution shall produce detailed information for verification. Reference is made to the RCN “General Terms of Contract”, section 3 “Accounting and verification”.

References

1. EFTA Surveillance Authority**,** Guidelines for State Aid, Chapter 14 “State aid for research and development and innovation”, Issued 7. February 2007
2. “RCN General terms of Contract
3. “FME - Requirements and guidelines”
4. “R&D Project Agreement Document for FME”

Enclosure 1

Guideline for completing the Excel-template defining the level of state aid

The work plan must describe the research activities on the level of projects. The following information must be presented in the Annual work plan . The Excel form in Attachment 1 should be used to present the information requested below. Comments to each of the items to be filled in is presented in the following. See also the on the text on Excel sheet.

- **Type of research for each project**
  The projects must be classified as either fundamental research or industrial research, see Box 1 below for definitions of research categories.

Box 1 - Definitions of Research

The following definitions of fundamental research and industrial research should be used, see See ESA State Aid Guidelines, Chapter 14 "State aid for research and development and innovation", Section 2.2,

"Fundamental research" shall mean experimental or theoretical work undertaken primarily to acquire new knowledge of the underlying foundations of phenomena and observable facts, without any direct practical application or use in view.

"Industrial research" shall mean the planned research or critical investigation aimed at the acquisition of new knowledge and skills for developing new products, processes or services or for bringing about a significant improvement in existing products, processes or services. It comprises the creation of components of complex systems, which is necessary for the industrial research, notably for generic technology validation, to the exclusion of prototypes as covered by experimental development

- **What is to be included as state aid**
  .
  - Ownership to results and right to use results is an important basis for deciding what is to be included as state aid. Contributions to the funding from "Non for profit research organisations" is to be included as state aid if they do not receive ownership to IPR according to their contribution, see ESA State Aid Guidelines, Chapter 14 "State aid for research and development and innovation", Section 3.2.2 Collaboration of undertakings and public research organisations.
  - The contribution from a public user partner which is not a research institution (For example a university hospital or other public organisation like the public road administration) is not considered as state aid.
  - The value of IPR must be included as a contribution to the funding if it is not allocated to the participating parties in proportion to their contributions.
  - The value of resources made available to the project by a consortium participant and used in a project must be included as a contribution to funding, if it is not paid a reasonable compensation to the rights holder

- **Status for each of the enterprise partners**
  Status of each of the enterprise partners wrt type firm must be described: Small, medium size or large, see Box 2 below for definitions of firms.

Box 2 EU-definitions of SMEs:

Small enterprise
- Less than 50 employees
- Less than 10 mill Euro in Annual turnover
- Less than 10 mill Euro in Balance

Medium sized enterprise:
- Less than 250 employees
- Less than 50 mill Euro in Annual turnover
- Less than 43 mill Euro in Balance

Less than 25% of the capital can be owned by other enterprises
For institutional investors (Capital funds, venture funds etc) less than 50%

- **Bonus category for each of the industrial research projects**
  Characterize each of the industrial research projects to decide whether they qualify for bonuses wrt maximum aid intensities, (See Box 3 below for categories)

Box 3 Specific conditions for public aid for Research projects

The following limits applies for maximum aid intensities: Cf EU DG Competition Community framework for state aid for research and development and innovation, Section 5.2.1 Aid for R&D&I projects, Dated 22. November 2006

Type of Research	Small and Medium-sized Enterprise*	Large Enterprise
Fundamental research	100%	100%
Industrial Research in general	60%	50%
Industrial Research involving enterprises and non-for-profit research organisations or where the results are widely disseminated**	75%	65%

*In order to fall in this category all the enterprises participating in the project must be SMEs

** The industrial research projects is carried out as an effective cooperation between enterprises and non-for-profit research organisations or if the results of the project are widely *disseminated* through technical and scientific conferences or published in scientific and technical journals or in open access repositories (databases) where raw research data can be accessed by anyone), or through free or open source software**.**

- **Incentive effect of each project**
  Assess for each of the projects whether the support is a real incentive to:
  (i) increase in project size,
  (ii) increase in scope
  (iii) increase in speed
  (iv) increase in total amount spent on R&D&I.
  If the project is considered to give a positive incentive effect write 1 if not any incentive effect write 0 in the excel report form.

- **The funding from each of the partners and RCN contribution to each of the projects**
  The funding plan must for each project show the funding from each of the partners in the form of in-kind and cash contributions and how funding from RCN contributes The funding plan must for each project show the funding from each of the partners in the form of in-kind and cash contributions and how funding from RCN contributes to funding of each project. The cost plan must describe each partner participation in each of the subprojects. The total public aid should include funding from the non–for-profit research organisations and RCN.
  - Participating enterprises must be asked to report whether their contribution to a CRI has been accepted as a SkatteFUNN project. Tax reduction from SkatteFUNN must be included when calculating the total public support.

- If the partners in the consortium agreement has decided that income from licensing of the project results should be at the disposal of the Board as part of the funding base for achieving the CRI's objectives, part of this income must also be included as public funding.
- For the 25% of the budget required from enterprise partners other types of public funding received by the enterprises can not be included. This means that if an enterprise partner receives funding from RCN for a user oriented project (BIP) this project can not be included as the part of the funding coming from that enterprise for the CRI.
- Box 4 below describes which cost categories are accepted for in-kind contributions.

Box 4 Cost categories

For the in-kind contribution the following cost categories are accepted:

- Personnel costs including normal overhead
- Research equipment dedicated to the CRI.
- Other operating expenses incurred directly as a result of the research activity