

Cost Models for the Sixth Framework Programme

1 – Cost Model Applicability

- The cost models are applicable to all instruments in the Sixth Framework Programme where the Community contribution is a grant for integration (Networks of Excellence) or a grant to the budget (Integrated Projects, Specific Targeted Projects, Specific Actions for SMEs, Integrated Infrastructure Initiatives, Coordination Actions, and certain Specific Support Actions).
- They do not apply to those instruments where the Community financial contribution is a lump sum grant (certain Specific Support Actions and certain Actions promoting human resources and mobility).
- For some actions promoting human resources and mobility a specialised version of the cost model is applied.

2 – Cost Models

Three cost models are suggested for participants in the typical research actions:

- **Full Cost with actual indirect costs (FC)**
In this model, eligible direct and indirect costs are charged by the contractors.
- **Full Cost with indirect flat rate costs (FCF)**
In this model, eligible direct costs and a flat rate for indirect costs are charged. This flat rate applied is 20% of all direct eligible costs minus the cost of sub-contracts.
- **Additional Costs with indirect flat rate costs (AC)**
In this model, eligible direct additional costs and a flat rate for indirect costs are charged. The flat rate is equal to 20% of all direct additional costs minus the cost of sub-contracts.

Direct costs, direct additional costs and indirect costs are defined below:

- **Direct cost** are all costs that fall under the definition of eligible costs which can be charged directly to the project, and are determined by the contractor in accordance with its usual accounting practices;
- **Direct additional cost**, are direct costs additional to the normal recurring costs of the contractor and not covered by any other sources of funding. For direct additional costs of personnel, there are three possibilities to charge these costs to the contract:
 - personnel with a temporary contract for working under the Community contract concerned ;
 - personnel with a temporary contract with a view to completing a doctorate ;
 - personnel whose employment contract depends wholly or in part on additional external financing. In this case, costs charged to the project must exclude all costs covered by normal recurring financing.
- For contractors working on the **full cost model**, **indirect costs** are all eligible costs determined by the contractor, in accordance with its usual accounting practices, which are not directly attributable to the project but are incurred in relation to the direct costs of the

project. For those contractors using either of the flat rate models (FCF, AC) a flat rate is applied to the direct costs to cover the indirect costs.

3 - Access to the Cost Models

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 either under 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 either under public law or private law and international organisations which 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.

4 – Use of a Cost Model

Each contractor shall apply the same cost reporting model in all contracts established under the Sixth Framework Programme.

As a derogation to this principle:

- any legal entity which 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 which 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.

5 – Maximum reimbursement rates per Cost Model

The maximum reimbursement rates for costs incurred are determined by the type of activity:

For contractors using the AC model: 100% of their additional costs whatever those activities might be.

For contractors using the FC or FCF models: for research and technological development activities: 50% of eligible costs;

- for demonstration activities : 35% of eligible costs ;
- for training activities : 100% of eligible costs ;
- for management of the consortium activities : 100% of eligible costs under certain conditions (see below)
- for other specific activities : 100% of eligible costs.

It should be noted that the Community financial contribution of 100% to the management activities of the consortium can not exceed 7% of the total Community financial contribution. This limitation does not apply to each individual participant but for the project as a whole.

One derogation to the definition of eligible costs, relates to the costs incurred for management activities by contractors using the AC model. They may charge their eligible direct costs of

permanent personnel to this activity, on condition that they can to identify and justify them precisely. The flat rate for indirect costs also applies to these eligible direct costs.

For Coordination actions and Specific Support Actions, contractors using the full cost model (FC) may not claim their actual indirect costs. A flat rate for indirect costs is applied in these instruments for all contractors, equal to 20% of the eligible direct costs minus the costs of sub-contracts.

Finally, it should be noted that the reimbursement rate claimed represents a possible maximum rate since the receipts of the project must be taken into consideration in determining the total amount of the Commission financial contribution.

6 – Receipts of the Project

Three kinds of receipts must be taken into consideration:

- Financial transfers or their equivalent to the contractor 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 to be use in the project.

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

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

In the last 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) are considered as income to the project (eg : admission fee to a conference carried out by the consortium ; sale of the proceedings of the aforementioned conference ; sale of an equipment bought for the project ; ...);
- by derogation to the above mentioned principle, income generated in using the knowledge resulting from the project is not considered as a receipt. Indeed, the use of the knowledge resulting from the project is the main objective of any project supported by an FP6 Community financial contribution.