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ERA-NET COFUND

Financial risks & risk mitigation

An overview and practical examples
October 2016

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main considerations for financial risks

- ❖ the calculation of the EC contribution is always based on the eligible costs, but the actual use of the EC contribution is up to the consortium.
- ❖ the basis for calculating the eligible costs is the **actual funding transferred to projects from the cofunded call**
- ❖ payments to these transnational projects have to be completed **within the duration of the ERA-NET Cofund**
- ❖ the basis for requesting Unit Costs is the acceptance of the participation in additional activities
- ❖ the finally accepted eligible costs are only known at the end of the ERA-NET Cofund (after 60 months)
- ❖ there is a risk that something unforeseen happens during these 60 months which affects the eligible costs
- ❖ the consortium is advised to take into account that risk and think about risk mitigation

Risks & consequences:

- ❖ the actual costs for implementing the ERA-NET Cofund during its 60 months life time are higher than the consortium expected
 - the planned budget distribution will probably not work any longer and lack of funds for covering the implementation costs could occur
- ❖ the participation of ERA-NET Cofund consortium members in the additional joint activities (if applicable) is less active than expected
 - the EC might not accept & provide the requested Unit Costs for all network members

Mitigation:

- agree on an annual internal reporting and monitoring of implementation costs
- agree on a clear rule that the implementation costs per ERA-NET Cofund consortium member cannot exceed a limited amount defined in the Consortium Agreement
- agree on an annual internal reporting of the involvement in additional activities
- agree on clear rules how the respective individual reimbursement of implementation costs are reduced in case of non-participation in additional activities

Risks & consequences:

- ❖ the number of submitted proposals is smaller than expected
 - the number of funded projects could be smaller than expected
- ❖ unbalanced oversubscription in the full proposal stage
 - a gap in the funding list could occur which cannot be closed

Cofunded call (I): before the selection meeting: risk mitigation

Mitigation:

- call planning should be based on a realistic estimate of the national/regional potential for the call
- funding organisations should use the pre-proposal stage to achieve a reasonable balance between national/regional committed budgets and requested funding
- the total call budget (and individual national/regional committed budgets) should be higher than the minimum needed for requesting the full EC contribution
- elaborate the Consortium Agreement very carefully -define rules but allow flexibility; take into account the possibility of unforeseen events

Risks & consequences:

- ❖ some of the selected proposals fail during the contract preparation
→ funding list is shorter than expected
- ❖ some of the funded projects stop during their life time
→ total funding transferred to successful proposals during their life time is less than foreseen and the EC contribution is reduced
- ❖ a funding organisation decides to revoke their commitment → the eligible cost basis will change
- ❖ some of the transnational projects are granted an extension of the duration
→ if the final payments are not made before the ERA-NET Cofund ends these payments will not be eligible for EC top-up

Cofunded call (II): after the selection meeting: risk mitigation

Mitigation:

- select as many projects for funding as possible
- agree on a reserve list
- agree on a limited duration of the funded transnational projects and clarify to the researchers that no project extension is possible
- elaborate the Consortium Agreement very carefully -define rules but allow flexibility; take into account the possibility of unforeseen events

- ❖ risks can be reduced by careful planning of the ERA-NET Cofund in general and the cofunded call in particular
- ❖ The Consortium Agreement should take into account potential unexpected events
- ❖ committed national/regional funding should fit the needs of the respective research communities
- ❖ budget planning should not be too tight: reserve a higher call budget and fund more transnational projects than needed
- ❖ agree on periodic internal reporting of costs to monitor the financial implementation of the ERA-NET Cofund
- ❖ be aware that a reduction of eligible costs will result in a reduction of the EC funding

- ❖ ERA-NET COFUND: Guidelines & practical documentation:
<https://www.era-learn.eu/manuals-tools/p2p-in-h2020/practical-documentation>
- ❖ ERA-NET COFUND: FAQ:
http://ec.europa.eu/research/participants/docs/h2020-funding-guide/cross-cutting-issues/era-net_en.htm