



Suspension and termination of projects in FP7 and H2020

Fifth Meeting of the WG 2 Finance
COST Targeted Network TN1302: BESTPRAC

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Agenda

- Case study
- Suspensions
- Terminations
- Financial implications
- Eligibility of costs
- Financial reporting

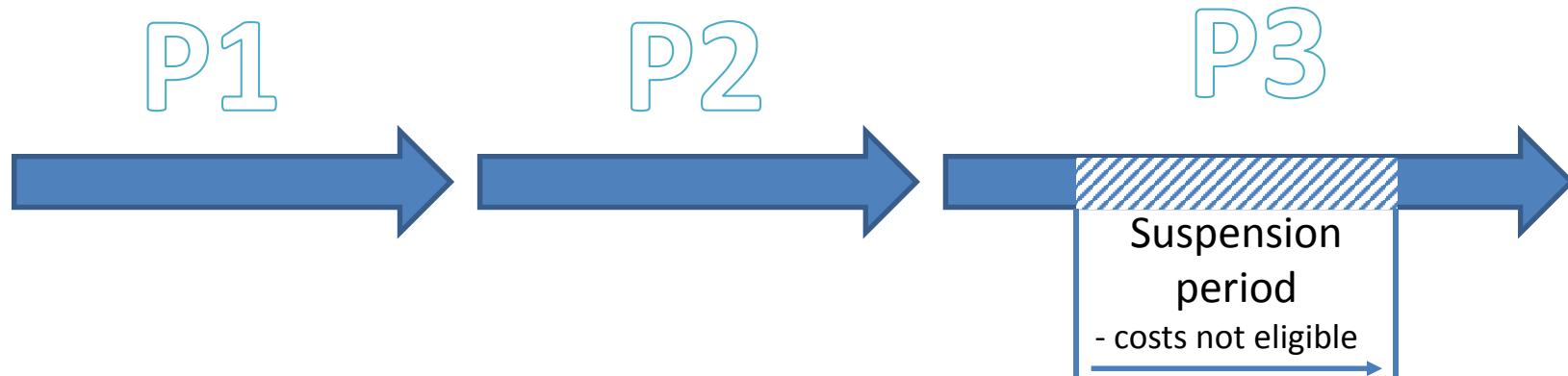


Case study

- Financial crisis
- Beneficiary incapable of producing major deliverable
- Crucial to overall project results
- Suspension proposed by consortium
- Consortium exploring alternative solutions
- Expected solution agreed – suspension lifted
- Expected solution too risky
- Termination requested by the consortium



Case study – Timeline





Suspensions

- Implementation suspensions
 - Suspension of the project (FP7)
 - Suspension of the Action (H2020)
- Payment suspensions (not the subject here)
 - Suspension of payments
 - Suspension of payment deadlines



Implementation suspensions

- Interrupting the implementation/execution of the entire project or part of the project
- Suspension initiated by the consortium
 - Exceptional circumstances — in particular *force majeure* — that make implementation impossible, "excessively" difficult or uneconomic
- Suspension initiated by the Commission
 - Serious errors or fraud by a beneficiary
 - if the project has lost its scientific or technological relevance



Lifting implementation suspensions

- Suspension may be lifted once conditions for resuming implementation have been met
- GA amendment for resumption of project
- Extension of the project normally required



Terminations

- What may be terminated?
 - The entire Grant Agreement (GA)
 - The participation of one or more beneficiaries
- Terminations may be initiated by beneficiaries and by the Commission



Termination of the GA

- Termination by the consortium
 - Must give valid a reason
 - Exceptional circumstances that make implementation impossible, excessively difficult, uneconomic or no longer technically viable
 - Loss of scientific or technological relevance
- If the Commission considers termination not justified:
 - GA ‘terminated improperly’
- Termination by the Commission (EC)
 - Due to non-accession to the GA, substantial errors, irregularities, fraud, serious breach of obligations or improper implemenatation



Termination of the participation of one or more beneficiaries

- Termination initiated by beneficiaries
 - With or without the agreement of the beneficiary concerned
 - Must inform the beneficiary concerned
 - If the EC considers termination not justified:
 - May lead to termination of the GA and/or reduction in grant
- Termination by the Commission (EC)
 - Due to non-accession to the GA, substantial errors, irregularities, fraud, serious breach of obligations or improper implementation



Eligibility of costs

- No costs eligible during suspension period
 - Advance notice before suspension takes effect
 - Gives consortium time to prepare
 - Make sure eligible incurred costs are properly recorded
 - Prevent project costs from being incurred during suspension
- No costs eligible after effective date of termination



Financial implications – suspensions

- Efforts to lift suspension may be costly
 - Exploring and agreeing on solutions
- None of these costs are eligible for EU funding
- Project extensions tend to imply higher costs
 - Extensions generally follow from suspensions
- Lifting of suspensions may entail replacement of beneficiaries (included in GA amendment)
 - Termination of participation of beneficiaries
 - Accession of new beneficiaries
 - Reallocation of tasks
 - Reallocation of budget



Financial implications – terminations

- Terminations generally
 - Costs incurred after effective date of termination not eligible for EU funding
- Signed contracts and subcontracts for services planned after the termination
 - Costs not eligible for EU funding
- The grant (EU funding) may be reduced if:
 - The GA is deemed to be ‘terminated improperly’ by consortium
 - Termination by the EC is due to substantial errors, irregularities, fraud or serious breach of obligations
 - The EC considers that there is improper implementation or no or low performance of tasks
- Termination of participation of beneficiaries
 - Reallocation of tasks
 - Reallocation of budget



Financial reporting

- More care needed to track timing of costs
- Suspensions
 - Reporting period is normally extended
 - Suspension period part of reporting period
 - Suspension period may start and end on any day of a month
 - No eligible costs during this period
- Terminations
 - Reporting period ends prematurely



Questions?

