



RAPID OCEAN CLIMATE CHANGE PROGRAMME

Call for Research Proposals

GUIDELINES FOR APPLICANTS

Background Information
Eligibility
Grant-Aid
Evaluation Criteria & Procedure
Application Procedure



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1 BACKGROUND

The Marine Institute is the lead implementing agency for *Sea Change – A Marine Knowledge, Research and Innovation Strategy for Ireland 2007-2013*¹, which presents a national agenda, comprising science, research, innovation and management, aimed at a complete transformation of the Irish maritime economy. It incorporates applied and basic research programmes, which aim to increase industry competitiveness, build new research capacity and address policy issues. The Strategy is being implemented via three **Research Measures** (Industry, Discovery and Policy Support) and two **Supporting Programmes** (Innovation and Infrastructure).

The Rapid Climate Change Research Programme of the Discovery Research Measure seeks to:

- Increase our understanding of the drivers and regulators of climate in order to improve the accuracy and reliability;
- Downscale global climate prediction models in order to refine local impact scenarios; and
- Develop and use real and proxy climate change indicators.

The Marine Institute has secured funding under the Government's *Strategy for Science, Technology and Innovation 2006-2013* (SSTI)², funded via the National Development Plan 2007-2013, to implement a Rapid Ocean Climate Change Programme aimed at addressing these objectives. Elements of the programme will be addressed by a team of climate scientists being recruited to the Marine Institute. Other elements will be addressed via competitive calls for research proposals.

As part of this programme, proposals are now being sought for grant-aid to address two specific areas of ocean climate change research:

1. Impacts of Increased Atmospheric CO₂ on Ocean Chemistry and Ecosystems
2. Climate and Catchment Environment

Further background information and details on the Rapid Ocean Climate Change Programme and the specifics of these two proposed research projects (objectives, deliverables etc.) are provided in the individual **Terms of Reference**. These are available to download from the Marine Institute's website funding pages (www.marine.ie/home/funding/). **These should be consulted prior to proceeding with an application.**

Applicants **should** also read the **Guidelines for Grantees** for the Rapid Ocean Climate Change Programme, which outline the standard terms and conditions for the granting of awards. These are available to download from the Marine Institute's website funding pages (www.marine.ie/home/funding/).

2 ELIGIBILITY

2.1 Who May Apply?

Applications are invited from any legal entity or partnership of entities with the appropriate scientific and technical qualifications and expertise, located on the island of Ireland.

3 EVALUATION OF PROPOSALS

A panel of national/international experts established by the *Sea Change* Management Unit will evaluate eligible proposals. All reasonable measures will be taken to ensure *objectivity, fairness, quality* and *confidentiality*. Eligible proposals will be evaluated using the following criteria:

1. Understanding of the strategic context of the project and the specific research topic;
2. The scientific and technical quality of the research proposal;

¹ <http://www.marine.ie/SeaChange>

² <http://www.entemp.ie/science/technology/sciencestrategy.htm>

3. Scientific quality/track record of the project team and technical capability to carry out the project;
4. Evidence of ability to address the specific deliverables required in the project Terms of Reference;
5. Proposed project management commitments/arrangements;
6. Costs and value for money;

Further information on the evaluation criteria and procedure is provided in **Appendix 1** to these Guidelines.

In accepting and evaluating research proposals the Marine Institute does not commit funding to any project or guarantee that funds will be made available to research proposals submitted under any call for proposals.

4 ETHICAL & GENDER ISSUES

Applicants should demonstrate that they have taken into account any relevant ethical issues associated with the proposed research, indicating which national and/or international regulations are applicable and how these will be adhered to.

The EU principle of gender mainstreaming applies³. Applicants are encouraged to take action to encourage female leads on research projects and shall be required to report the ratios of males to females working on projects.

5 GRANT-AID RATES & ELIGIBLE COSTS

This call for research proposals is intended to fund not-for-profit or pre-commercial research on a re-imbursment basis. Funding is provided for up to 100% of **eligible costs**, depending on the nature of the organisation undertaking the research. Table 1 below indicates the maximum levels of grant-aid applicable to each type of organisation.

Table 1 Maximum levels of applicable grant-aid

Higher Education Institutions	Other public bodies ⁴	Private Organisations	
		SME ⁵	Non SME
100%	100%	75%	50%

Eligible costs are defined as **direct** or **indirect costs** incurred in carrying out the research project. They must fulfil the following criteria:

- They must be **actual**;
- They must be **reasonable** and **wholly necessary** for the project;
- They must be incurred **during the lifetime** of the project;
- They must be **recorded** in the accounts for the project, which must be maintained during the lifetime of the project and reported on as required by the Marine Institute;
- They must **not be otherwise reasonably available** or accessible; and
- They must be **incurred solely to advance the research project**⁶.

No costs other than eligible costs will be allowed. The eligible cost **categories** are:

1. Staff Costs (see note below)
2. Equipment
3. Consumables
4. Travel and Subsistence

³ http://ec.europa.eu/employment_social/gender_equality/gender_mainstreaming/general_overview_en.html

⁴ See Appendix 3

⁵ See Appendix 4

⁶ If items benefit both the research project and other work the costs shall be eligible only in the proportion that can be attributed as benefiting the project.

5. Sub-contracts/external assistance
6. Publication
7. Vessel Charter
8. Other costs (e.g. sampling/analysis)
9. Overheads (see note below)

Staff Costs

Higher education institutions and other public bodies - A core principle of this programme and the SSTI is capacity building. Accordingly, the programme does not support costs associated with existing staff within higher education institutions and public bodies working on a project. Existing staff costs are not eligible costs.

Private organisations (including SMEs) - The staff costs of all staff (permanent and temporary) allocated to the project can be used to calculate the full cost of the project, which is then grant-aided according to the maximum level of applicable grant-aid laid out in Table 1 (above).

Overheads

Overheads are indirect costs and will be paid a rate of 30% of direct costs minus equipment, Sub-contract/external assistance and vessel charter. **The overhead rate for desk-based projects is 25%.**

Further information on the above cost categories is provided in **Appendix 2**.

Non-eligible costs are the following categories:

- any interest, or return on capital employed;
- provisions for possible future losses or charges (including social costs);
- interest owed;
- provisions for doubtful debts;
- resources made available to a Grantee free of charge;
- unnecessary or ill-considered expenses;
- marketing, sales and distribution costs for products & services;
- entertainment or hospitality expenses, except such reasonable expenses accepted as wholly and exclusively necessary for carrying out the work under the Grant-Aid.

Grantees shall be authorised to transfer budgeted amounts between themselves or between cost headings, according to the rules set out in the **Guidelines for Grantees**.

6 GRANT AWARD

All applicants will be notified in writing of the results of the evaluation. The letter will outline the contractual obligations and conditions that apply to the award. Applicants must acknowledge receipt of the award letter and acceptance of the conditions attached to the award. In accepting the award, applicants agree to carry out the work according to the work programme in the project proposal (and taking into account modifications arising from the evaluators recommendations) and the agreed budget.

Applicants **should** read the **Guidelines for Grantees** for the Rapid Ocean Climate Change Programme, which outline the standard terms and conditions for the granting of awards. These are available to download from the Marine Institute's website funding pages (www.marine.ie/home/funding/).

7 FREEDOM OF INFORMATION ACT

Information supplied to the Marine Institute may be disclosed in response to a request under the Freedom of Information Act, 1997 and Freedom of Information (Amendment) Act, 2003. It is the responsibility of the applicant to indicate at the time of making an application which information should not be disclosed and the reasons for non-disclosure. The Marine Institute

will consult with applicants about this information before making a decision on any Freedom of Information.

8 DATA PROTECTION

Personal information supplied to the Marine Institute will be stored by electronic means e.g., database, for use only in connection with applications for grant-aid. The provisions of the Data Protection Act, 1988 and the Data Protection (Amendment) Act, 2003 will be fully complied with.

9 INTELLECTUAL PROPERTY RIGHTS

It is the responsibility of the applicant to ensure procedures for managing intellectual property are maintained and appropriately applied. This programme provides funds for not-for-profit, public good research. The Marine Institute expects that outputs and findings should be widely disseminated and made publicly available.

However, the Marine Institute acknowledges research outputs with commercial potential may arise during the completion of the work programme. Where the researcher(s) want to restrict access to intellectual property for the purpose of commercialisation of research results, the Marine Institute should be informed in advance. Costs associated with registration of patents, registered designs, registered trademarks etc are not eligible costs.

Applicants should consult the relevant sections on IPR and datasets contained in the **Guidelines for Grantees**.

10 APPLICATION PROCEDURE & DEADLINE

Applications must be submitted using the Rapid Ocean Climate Change Programme **Application Form**. An electronic copy of this application form can be downloaded from the Marine Institute's website funding pages (www.marine.ie/home/funding/). The application form includes instructions for its completion.

Only applications made on the application form will be accepted for evaluation and no other materials are required. The application forms are structured to capture the information required to evaluate proposals and applicants are requested to adhere strictly to the stipulated headings and word limits.

A detailed project budget must be provided using the MS EXCEL budget template provided as part of the application form. An electronic copy of this budget template can be downloaded from the Marine Institute's website funding pages (www.marine.ie/home/funding/). The application form includes instructions for its completion.

Four signed copies of the completed application form must be provided. One of these must be unbound. An **electronic version**, as one complete document, should also be supplied on CD/Disk in MS Word/PDF format.

The closing date for receipt of proposals is:

NOT LATER THAN 16:00 HOURS ON FRIDAY 31st AUGUST 2007
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Completed application forms should be posted or hand-delivered to **arrive no later** than the time and dates indicated above to:

<p>Rapid Ocean Climate Change Programme <i>Sea Change</i> Management Unit Funding & Administration Office Marine Institute Rinville, Oranmore, Co. Galway.</p>

Late, faxed or email applications will not be accepted.

The *Sea Change* Funding & Administration Office will acknowledge receipt of all applications.

Applicants should complete all sections of the application form, which must be signed by the VP for Research (or other authorised position) at the lead institution.

11 CONTACT DETAILS

For further information/clarifications on technical or procedural matters please contact:

<p><i>Sea Change</i> Management Unit Funding & Administration Office Marine Institute Rinville Oranmore Co. Galway Tel.: 091-387200 Email: funding@marine.ie</p>
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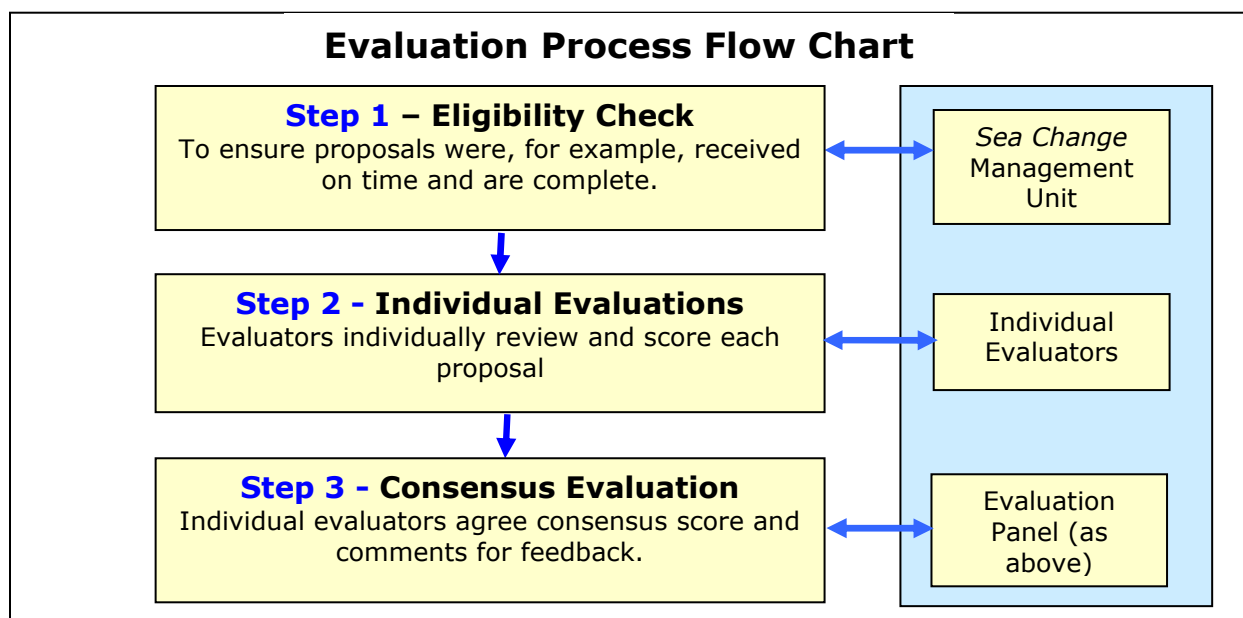
APPENDIX 1 - EVALUATION PROCEDURE

The evaluation of proposals is managed by the *Sea Change* Management Unit Funding and Administration Office. The process aims to be fair and transparent and to provide constructive feedback to applicants. Evaluation of proposals is based on the established principles of **Transparency, Equality of Treatment, Impartiality, and Efficiency and Speed.**

Evaluation is conducted in four steps, as follows:

Step	Undertaken by
1. Eligibility Check	<i>Sea Change</i> Management Unit
2. Individual Expert Evaluation	Independent Experts, overseen by the <i>Sea Change</i> Management Unit
3. Consensus Evaluation	Independent Experts, overseen by the <i>Sea Change</i> Management Unit

In accepting and evaluating research proposals the Marine Institute does not commit funding to any project or guarantee that funds will be made available to research proposals submitted under any call for proposals.



1) Eligibility Check

Proposals for funding received by the notified submission date are checked for compliance with the general **Eligibility Criteria**. These criteria include:

- Was a completed application received on time?
- Is the proposal from an eligible institution/company?
- Are all sections of the application form have been completed correctly - including the statement by the lead institution, with appropriate signatures?
- Does the application form contain adequate information to allow the proposal to be properly evaluated?

Proposals considered to be ineligible are returned to the applicant with a note explaining why they were considered to be ineligible. Proposals meeting the eligibility criteria will be allocated a unique reference number and a letter of receipt will be sent to the applicant. The unique reference number should be used in any subsequent correspondence or enquiry with the Marine Institute.

2) Individual Expert Evaluation

The Marine Institute maintains a panel of independent expert evaluators to assist in the evaluation of all proposals for funding. The names of the experts assigned to individual proposals are not made public. However, the Marine Institute makes available lists of all the experts participating on its evaluation panels at regular intervals. Evaluators are required to read and sign a Declaration of Confidentiality and Conflict of Interest Form.

Proposals meeting the eligibility criteria are evaluated based on their individual merit by a minimum of three individual experts chosen from the Panel of Experts. Where feasible, the same experts evaluate all eligible proposals received for a particular topic/project. The experts examine the proposal(s) assigned to them and score and comment on each proposal under each of the **Evaluation Criteria** using an **Individual Evaluation Form**. Applicants are advised of these evaluation criteria in the **Guidelines for Applicants**.

3) Consensus Evaluation

Once the individual experts to whom proposals have been assigned have completed their individual evaluations, a **Consensus Meeting** is convened to enable joint consideration of proposals by the individual experts. An officer from the *Sea Change* Management Unit may act as moderator/rapporteur for each consensus meeting. Their role is to support the process and ensure that the panel evaluation is carried out in a fair and proper fashion.

During the consensus meeting the experts consider each proposal and agree on a final mark for each of the evaluation criteria and an overall mark (score) for the proposal. They justify their marks with constructive and informative comments suitable for feedback to the applicant and agree on an overall **Consensus Evaluation Report**. All applicants, whether successful or unsuccessful, receive a copy of the Consensus Evaluation Report for their proposal.

4) Evaluation criteria

1. Understanding of the strategic context of the project and the specific research topic:
 - Understanding of current state of knowledge
 - Extent to which the project builds on current knowledge
 - Relevant bibliography/references
2. The scientific and technical quality of the research proposal:
 - Work plan, tasks and structure of proposal
 - Scientific & technical content/methodology
 - Originality and degree of innovation
3. Scientific quality/track record of the project team and technical capability to carry out the project:
 - Qualifications and suitability of the research team
 - Publication record
 - Participation in other research programmes (past & current)
4. Evidence of ability to address the specific deliverables required in the project Terms of Reference
 - Proposed approach to meeting the specific deliverables of the project
 - Track record and expertise of the team in areas targeted by the deliverables
5. Proposed project management commitments/arrangements;
 - Project management plan/personnel
 - Proposed team/work package interaction
 - Data & quality management plans
 - Dissemination proposals
6. Costs and value for money
 - Total cost
 - Detail of costs
 - Cost allocation between partners

Successful applicants may be asked to make changes to their proposals during the grant-aid negotiation phase to accommodate the comments of the evaluators.

Declaration of Confidentiality and Conflict of Interest

Evaluators are required to read and sign a Declaration of Confidentiality and Conflict of Interest Form. If an expert considers that they may have a vested interest in a proposal or that potential conflict of interest may arise as a result of their participation in the evaluation of any proposal they are asked to declare this and may not participate in the evaluation process.

Freedom of Information

The Freedom of Information (FOI) Act provides a legal right to individuals to obtain access to information held by public bodies, to the greatest extent possible consistent with the public interest and the right to privacy. The Act provides strong protections for information supplied in applications that is confidential, commercially sensitive or personal (Sections 26, 27 and 28 of the FOI Act refer). The Act also gives certain rights to individuals or companies who supply such information. These rights ensure that information that is confidential, commercially sensitive or personal cannot be released under FOI without the person supplying such information being consulted. There is also a right of appeal to the Information Commissioner, who is an independent authority for FOI matters.

APPENDIX 2 - COST CATEGORIES

1) Staff Costs

Higher education institutions and public bodies - A core principle of this programme and the Government's SSTI is capacity building. Accordingly, the programme does not support costs associated with existing staff within higher education institutions and public bodies working on a project. Existing staff costs are not eligible costs.

Private organisations (including SMEs) - The staff costs of all staff (permanent and temporary) allocated to the project can be used to calculate the full cost of the project, which is then grant-aided according to the maximum level of applicable grant-aid laid out in Table 1 (above).

Where applicants are uncertain at the time of submission as to the identity of the personnel involved in the project, the appropriate salary scales (e.g. IUA) and points on the scale should be indicated.

Staff costs are deemed to be the gross salary of eligible staff members together with the grantee's contribution to their pension and PRSI costs. Only the costs of the actual hours worked by the persons directly carrying out work under the project may be charged. All personnel who are employed on a specific project will be required to maintain and make available timesheets. Such personnel must:

- Be directly hired by the participant in accordance with its national legislation;
- Work under the sole technical supervision and responsibility of the latter, and
- Be remunerated in accordance with the normal practices of the participant.

Person-day costs are limited to the actual salary cost including employers PRSI and statutory pension contributions made on behalf of the employee into a defined pension scheme. This rate must be specified in the budget and is subject to a maximum of 15% of salary. The employer's pension contributions will only be eligible for payment when relevant documentation is provided to the Marine Institute (or its agents) and where these contributions are made to an appropriate pension scheme.

Where applicants are uncertain at the time of submitting an application as to the exact identity of personnel involved in the project then salary rates may be used for categories of staff, where staff are paid on specified salary grades or scales. This rate must be verifiable and where an application is successful, must be adjusted to the actual rate of pay for each individual at the time of submitting a claim for reimbursement of expenditure.

Costs for remuneration of salary should be taken from the payroll records of the participant and should reflect the total gross remuneration plus the employer's portion of PRSI and pension contributions. Remuneration costs must be calculated individually for each staff member and the use of average salary or pay scale levels (other than as indicated above) is not permitted.

2) Equipment

The purchase and leasing of durable equipment, when acquired based on best price and in compliance with Public Procurement Guidelines, is considered to be an eligible cost.

The cost of purchased equipment if acquired specifically for the purposes of a project will be considered to be eligible in full. Appropriate justification for the purchase of durable equipment should be demonstrated in the proposal. Costs relating to the hire or leasing of durable equipment may be charged to the project in accordance with the following conditions:

- The eligible costs for hire⁷ or lease of durable equipment shall not exceed the costs that would have been incurred in case of purchase of equipment, taking account of the formula below.
- The lease or purchase costs to be charged to the Agreement shall be calculated according to the following (depreciation rule) formula:

$$(A/B) \times C \times D$$

Where

A =	the period in months during which the durable equipment is used for the project after invoicing.
B =	the depreciation period for the durable equipment - 36 months (33% p.a.) for computer equipment costing less than €25,000 or 60 months (20% p.a.) for other equipment.
C =	the actual cost of the durable equipment.
D =	percentage of usage of the durable equipment for the project.

This represents the eligible costs for durable equipment for the duration of the project and is reimbursed on a pro rata basis upon the submission of each financial cost statement.

Off-the-shelf software and personal computing equipment costing <€10k are deemed to be consumables.

Durable equipment, which has been purchased or leased for a previous agreement with the Marine Institute, is an eligible cost providing that the depreciation period has not been exceeded i.e. only the costs relating to the unexpired depreciation period may be charged.

If value for money becomes an issue due to the limitations of suppliers then this should be documented and a case made to justify expenditure outside the general rule. Such cases must be submitted to the Marine Institute for prior approval before any commitments can be made on expenditure.

Non-recoverable VAT is an eligible part of equipment acquisition cost.

3) Consumables

Consumables usually relate to the purchase, fabrication, repair or use of any materials, goods or equipment and software which:

- Are not placed in the inventory of durable equipment of the participant;
- Are not treated as capital expenditure in accordance with the accounting conventions and policies of the participant; and
- Have a short life expectancy, certainly not greater than the duration of the project.

All consumables and material costs related to the project are deemed to be eligible. Off the shelf software and personal computing equipment (including laptops) costing less than €10,000 are considered to be consumable items and are fully reimbursable.

Consumable or material costs must be separately identifiable and necessary for the project. Where it is the usual practice of the contractor to consider consumable costs as indirect costs, those costs therefore cannot be charged as direct eligible costs of the project. Any exceptions to the above must be clearly documented and a case made to justify expenditure outside the general rule. Such cases must be submitted to the Marine Institute for prior approval before any commitments can be made on expenditure.

4) Travel and Subsistence

Actual travel and related subsistence costs (including those based on approved mileage and subsistence rates) for personnel working on the project are fully reimbursable and may be

⁷ Hire = short-term rental where title remains with the hire company

charged to the project, provided that the costs comply with the participants normal practices in this regard. Where such costs are incurred they must be reasonable, separately identifiable, limited to the actual cost and should be a specific requirement for the implementation of the funded project.

Where travel costs are incurred by employees involved in the project and such costs are reimbursed by the participant on the basis of a lump sum or *per diem* basis then it is the lump sum or *per diem* payment that is considered to be the eligible cost. All lump sum or *per diem* payments in this regard must be in keeping with the normal practices of the participant.

Where individuals are reimbursed for use of their private vehicle for business travel by way of mileage then the relevant rate per mile, destination, number of miles travelled and purpose of journey, must be clearly stated and the necessity for such travel demonstrated to the Marine Institute. In all cases such rates must not exceed the current civil service or other Revenue Commissioner approved rates and must be in keeping with the participants' normal practices.

Where researchers outside the State are required by the project co-ordinator to attend project meetings in Ireland, their costs will be deemed eligible and will not require prior approval. The approval of such travel will be contingent upon adequate budget being available, based on the applicants original submission, and appropriate justification being provided by the relevant participant. Failure to do so will result in all costs relating to travel from outside of the country being disallowed.

5) Sub-contracts/external assistance

In general, participants should ensure that they have the necessary skills within the project team to carry out the work programme. However, the Marine Institute recognises that this may not be possible in all cases. In particular, where specialist resources are required, it may be necessary to obtain external assistance in the form of sub-contract or consultancy arrangements. These costs may only be charged as external assistance to the project if:

- they are incurred in compliance with the conditions set out in the Grant-aid Agreement;
- they do not exceed 20% of the overall grant-aid allocated to the project;
- the subcontracts for external assistance are awarded and concluded in accordance with the normal Irish government Grant-aid procedures as set out in the Department of Finance public procurement regulations (three quotations must be obtained for all sub-contractors valued at more than €6,500/annum);
- they are in accordance with market prices;
- copies, certified by the Grantees concerned, of relevant invoices are attached to the corresponding cost statements; and
- a clear explanation is given as to why the project team could not have included these specialist skills.

Sub-contract arrangements between participants are not permitted. Core elements of any project funded under the Rapid Ocean Climate Change Programme may not be subcontracted.

As sub-contracting and consultancy arrangements invariably relate to the production of a service, it should be clear in all consulting or sub-contracting arrangements that any intellectual property arising from such work remains the property of the participant and must be at the entire disposal of the participant.

6) Publication

Publication costs include the preparation of research outputs, e.g. reports, brochures, books and other publications. Provision should be made in the budget to a maximum of 2% of the total project cost, to cover such costs. Patent costs are excluded.

7) Vessel Charter

Essential vessel charter, of the National Research Vessels or other vessels, is an eligible project cost. Where it is required the vessel specification and charter costs should reflect the project requirements.

Applicants who wish to charter one of the National Research Vessels should contact Research Vessel Operations⁸ in the Marine Institute (rv@marine.ie).

8) Other Costs

This allows for specific actual costs, which do not come into any of the above eligible cost categories. They may include costs associated with facilities, sampling and analysis. Such costs may only be claimed subject to prior written approval of the Marine Institute.

9) Overheads

A contribution to overheads of 30% of modified costs is allowed for all projects. Modified costs are defined as all eligible costs excluding durable equipment, external assistance and vessel charter.

Value Added Tax (VAT)

Where a participant organisation is registered for Value Added Tax (VAT) and able to reclaim any VAT they incur on their costs then all expenditure items included in their application for funding and subsequent claims for reimbursement should be shown at the VAT exclusive amount. Where an organisation is not entitled to reclaim the VAT that they incur in relation to their costs then the amounts included in their application for funding and subsequent claims for reimbursement should be the VAT inclusive amount. Applicants will be required to specify their VAT status in Application Form for funding.

⁸ <http://www.marine.ie/home/Research+Vessels.htm>

APPENDIX 3 - DEFINITION OF A PUBLIC BODY

The European Commission defines a public body as “a public sector body or a legal entity governed by private law with a public service mission providing adequate financial guarantees”.

Therefore, there are two clear cases of entities that are considered public bodies:

1) Public sector bodies

Any public authority or entity set up under public law by a state or one of its authorities (e.g. government). Even if such an entity has a legal personality, it acts on behalf of the State with regard to and within the limits of its specific areas or competencies. Activities carried out by such authorities or entities may be of a commercial nature.

2) Legal entities established under private law with a public service mission and providing adequate financial guarantees

With respect to the “public service mission”:

a) where an entity established under private law is owned by a public sector body or the state, it can be deemed to have a public service mission.

b) for an entity established under private law that is not owned by a public sector body, the entity must be explicitly granted such a mission through a decision by a public sector body. Secondary and higher education establishments that deliver diplomas recognised by a public authority according to criteria established by the state or perform research with public funding and in accordance with objectives agreed by the state would meet this criterion. In cases of doubt proof of the public service mission can be required from the potential contractor showing that it falls into one of the two categories above.

With respect to the “adequate financial guarantees”:

a) if the entity is owned by the state then it can be presumed to provide adequate financial guarantees as the state will honour its obligations.

b) if the entity is not owned by the state or a public sector body then it must prove that it will provide adequate financial guarantees (except for the secondary and higher education establishments that are presumed to provide such guarantees). In cases of doubt proof of the existence and adequacy of a financial guarantee can be required from the potential contractor showing that it falls into one of the two categories above.

APPENDIX 4 - DEFINITION OF AN SME

1. Small and medium-sized enterprises (SMEs⁹) are defined as enterprises which:
 - have fewer than 250 employees, **and**
 - have either,
 - an annual turnover not exceeding €50 million, or
 - an annual balance-sheet total not exceeding €43 million, **and**
 - conform to the criterion of independence as defined in paragraph 3.
2. Where it is necessary to distinguish between small and medium-sized enterprises, the 'small enterprise' is defined as an enterprise which:
 - has fewer than 50 employees **and**
 - has either,
 - an annual turnover not exceeding €10 million, or
 - an annual balance-sheet total not exceeding €10 million,
 - conform to the criterion of independence as defined in paragraph 3.
3. Independent enterprises are those which are not owned as to 25% or more of the capital or the voting rights by one enterprise, or jointly by several enterprises, falling outside the definitions of an SME or a small enterprise, whichever may apply. 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 either individually or jointly,
 - if the capital is spread in such a way that it is not possible to determine by whom it is held and if the enterprise declares that it can legitimately presume that it is not owned as to 25% or more by one enterprise, or jointly by several enterprises, falling outside the definitions of an SME or a small enterprise, whichever may apply.
4. In calculating the thresholds referred to in paragraphs 1 and 2, it is therefore necessary to cumulate the relevant figures for the beneficiary enterprise and for all the enterprises that it directly or indirectly controls through possession of 25% or more of the capital or of the voting rights.
5. Where it is necessary to distinguish micro-enterprises from other SMEs, these are defined as enterprises having fewer than 10 employees, annual turnover not exceeding €2 million and or annual balance sheet total not exceeding €2 million
6. Where, at the final balance-sheet date, an enterprise exceeds or falls below the employee thresholds or financial ceilings, this is to result in its acquiring or losing the status of 'SME', 'medium-sized enterprise', 'small enterprise' or 'micro-enterprise' only if the phenomenon is repeated over two consecutive financial years.
7. The number of persons employed corresponds to the number of annual working units (AWU), that is to say, the number of full-time workers employed during one year with part-time and seasonal workers being fractions of AWU. The reference year to be considered is that of the last approved accounting period.
8. The turnover and balance-sheet total thresholds are those of the last approved 12-month accounting period. In the case of newly established enterprises whose accounts have not yet been approved, the thresholds to apply shall be derived from a reliable estimate made in the course of the financial year.

⁹ http://ec.europa.eu/enterprise/enterprise_policy/sme_definition/sme_user_guide.pdf