



H2020 Participant Guarantee Fund

H2020 COORDINATOR'S DAY

24 FEBRUARY 2016

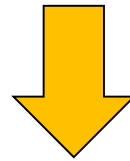
DG RTD – Designated service of the Commission
for the management of the Guarantee Funds
Alba MARINO-ENRIQUEZ – Mario PICARELLA

Agenda

- Objective of the Participant Guarantee Fund (PGF)
- Creation of FP7 and H2020 PGF
- Legal basis:
 - Rules for participation H2020 of 11/12/2013
- Statistics of the PGF
- Mechanism CRI (contributions, reimbursements, interventions)

Objective of the PGF

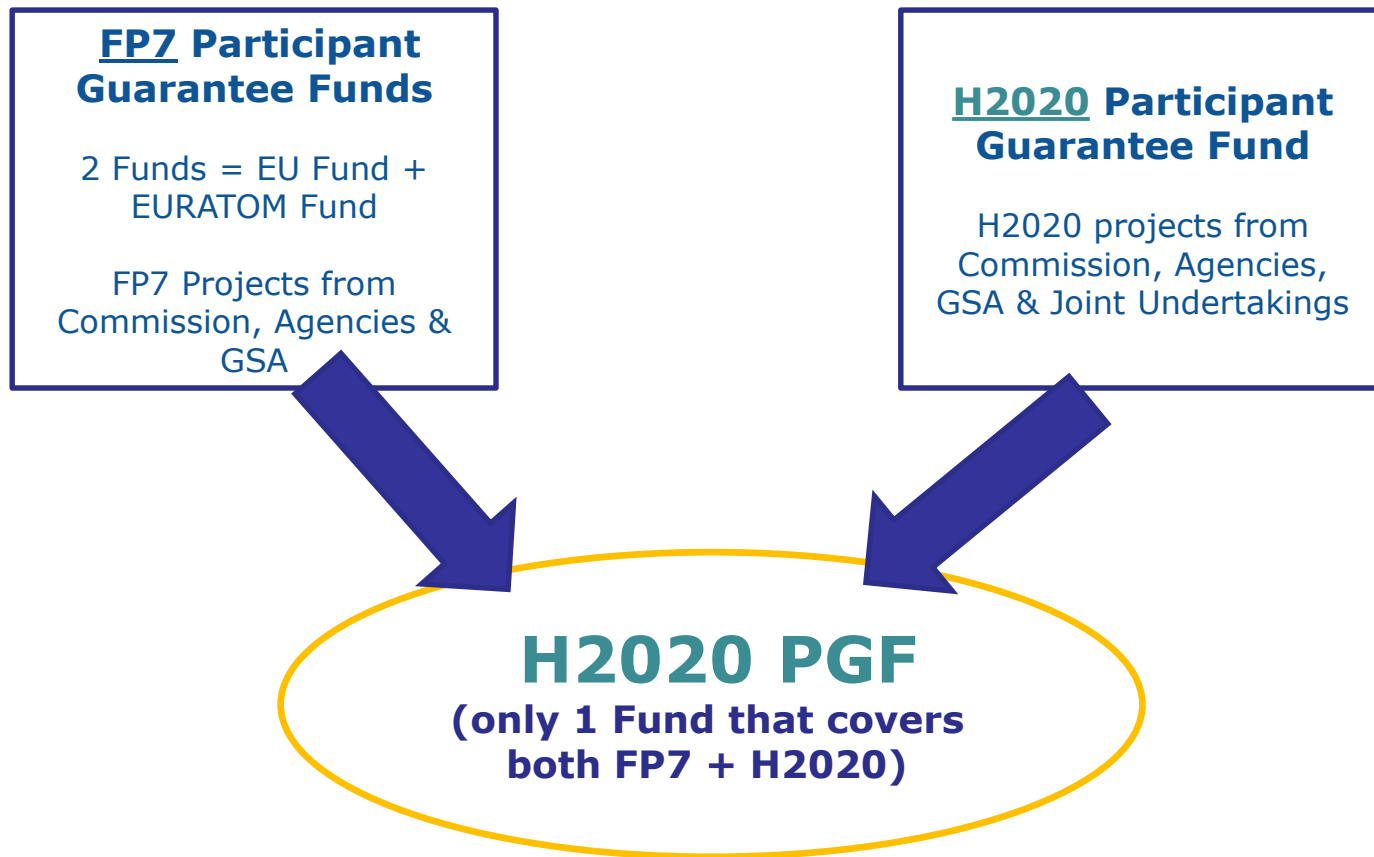
To protect the financial interests of the EU budget
Article 38 (1) of the 'H2020 Rules for participation'



The Fund **covers any unpaid RO** = loss in the
EU budget

(except for: FP7 liquidated damages or financial penalties
COM Decision C9092 final, 17.12.2013)

Creation of the PGF



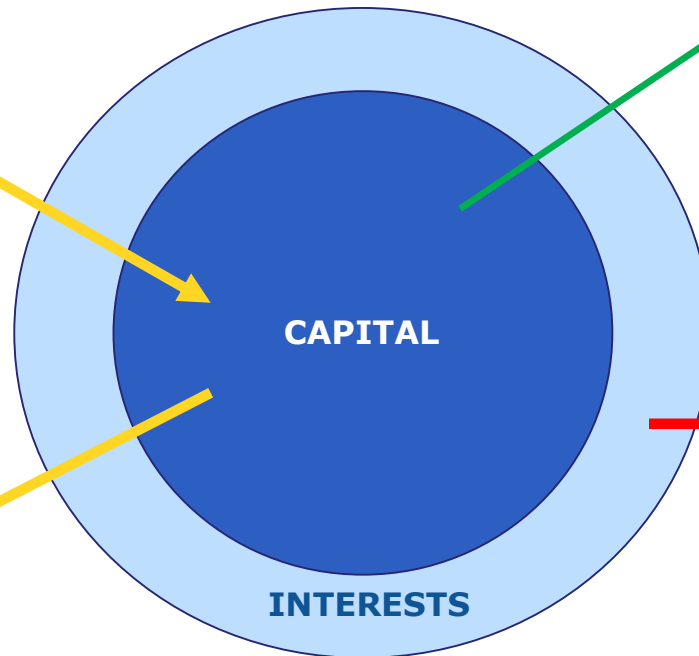
PARTICIPANT GUARANTEE FUND (PGF)

CONTRIBUTION

- 5% Max grant amount
- Retained at 1^o PF payment

REIMBURSEMENT

- Returned with payment of the balance



**DG ECFIN – Manager
of Financial Assets**

- Investment in Financial Markets

PGF INTERVENTION

Regulation (EU) n°1290/2013 of 11/12/2013: "Rules for participation" - Articles 38 and 39

- creation of the H2020 PGF – H2020 PGF replaces and succeeds the PGFs FP7
- No change
 - contribution 5% of the max grant amount
 - deducted from the 1st PF payment
 - to be reimbursed at the end of the action
 - use of the PGF interests
- Changes
 - Union funding bodies (JU's) contribute to PGF
 - Financial management assets: EIB, Financial entity or **Commission**
 - no more interests: interventions on hold

STATISTICS of PGF FP7/H2020 (as of 31.01.2016)

▪ Contributions	2 764 498 876 EUR
▪ Reimbursements	1 018 137 915 EUR
▪ Interventions	44 798 650 EUR
▪ Interests available for interventions	62 848 583 EUR

CONTRIBUTIONS

- ❑ 5% Max grant amount fixed in the GA
- ❑ Deduction from first pre-financing payment
- ❑ DG ECFIN invests the capital in the financial markets

REIMBURSEMENTS

- ❑ Full contribution to the Fund is reimbursed at the end of the action (with the payment of the balance)
- ❑ Possibility of offsetting against amounts owed by beneficiary to the EU (no consent needed) – *H2020 Model Grant Agreement Art 21.4*

- ❑ 3 possibilities :
 - Reimbursement to **participants** (100%)
 - Reimbursement to **the EU budget** (100%)
 - **Partial** reimbursement (coordinator/EU budget)

INTERVENTIONS (Art. 39 RP H2020)

❑ **Direct** intervention - **Article 39.3(a):**

The Fund can transfer lost amount to coordinator → 3 conditions

❑ **Indirect** intervention - **Article 39.3(b):**

Fund covers the loss of EU Budget of unpaid ROs (except: financial penalties & FP7 LD)



European Commission

SITUATIONS INTERVENTION OF THE PGF

Start ACTION

End ACTION

Payment of the balance



3 conditions (if not, indirect intervention):

- 1) Action still on-going
- 2) Termination participant
- 3) Consortium agrees to continue action with same objectives
(GRANT AMENDMENT)

STEPS DIRECT INTERVENTION:

- 1) Fund transfers lost prefinancing to coordinator
- 2) Fund issues Recovery Order in its favour against defaulting participant

RECOVERY ORDER	RECOVERY ORDER	RECOVERY ORDER	RECOVERY ORDER	RECOVERY ORDER
terminated participant	Non distribution of interim payment	Negative Payment of the balance Coord./Participant	Non distribution of payment of balance	Audit

If any of these **Recovery Orders is not paid** in due time → **INDIRECT INTERVENTION STEPS:**

- 1) **Fund pays** the Recovery Order to **the EU budget**
- 2) **Fund re-issues the Recovery Order** in its favour (same deadline & Int. Rate)

Example: Direct Intervention

- ❑ NET Pre-financing paid to the consortium 450 000 EUR
 - ❑ Retained by coordinator A: 200 000 EUR
 - ❑ **Transferred to beneficiary B: 150 000 EUR**
 - ❑ Transferred to beneficiary C: 100 000 EUR

B defaulting beneficiary (justified EU contribution 30 000 EUR)

→ Calculation of the amount of the PGF intervention:

$$150\,000\text{ EUR} - 30\,000\text{ EUR} = 120\,000\text{ EUR} (*)$$

() H2020 MGA – "... beneficiary must repay to the coordinator the amount unduly received... EU services will formally notify and request to repay in 30 days...If it does not repay to the coordinator, a debit note from the GF will be sent to the beneficiary concerned..."*

Indirect Intervention at the payment of the balance

Example 1/3

❑ Maximum grant amount (4 beneficiaries):	3 000 000 EUR
❑ Amount retained for PGF (Contribution 5%):	150 000 EUR
❑ Payments to consortium:	2 700 000 EUR
❑ Net payments to coordinator:	2 550 000 EUR
❑ Total eligible costs approved:	2 430 000 EUR

Amount to recover

$$(2\,700\,000\text{ EUR} - 2\,430\,000\text{ EUR} = 270\,000\text{ EUR})$$

➤ Amount to be recovered from PGF:	150 000 EUR
➤ Amount to be recovered from the coordinator:	120 000 EUR

Indirect Intervention at the payment of the balance

Example 2/3

Case 1 – No reaction from the coordinator

- ❑ EU sends a pre-info letter to the coordinator for 120 000 EUR
 - the coordinator does not react in due time
 - the coordinator does not submit the report on distribution of payments
- ❑ EU recovers the amount from the coordinator exclusively – the EU issues a RO against the coordinator and if the coordinator does not pay the RO in due time (45 days):
 1. The Fund pays the RO to the EU budget
 2. The Fund re-issues the RO in its favour with the same conditions as the initial RO

Indirect Intervention at the payment of the balance

Example 3/3

Case 2 – Reaction from the coordinator

- ❑ The coordinator submits the report on distribution of payments:

A: 400 000 EUR; B: 1 200 000 EUR; C: 600 000 EUR; D: 350 000 EUR

- ❑ EU recovers the amount concerned after establishing the debt of each beneficiary according to the formula mentioned in Article 44 MGA:

A: 0 EUR (no funds in excess); B: 37 500 EUR; C: 75 000; D: 7 500 EUR //

- ❑ EU issues 3 recovery orders for a cumulative amount of 120 000 EUR and if a beneficiary does not pay its own RO in due time:

1. Fund pays the RO of each beneficiary to the EU budget
2. Fund re-issues the RO in its favour against each beneficiary with the same conditions as the initial RO

Negative Payment of the Balance						
Participants	Annex 2	EC cont 100%	Eligible costs	EC cont 100%	Distribution	Difference
A = coord	800.000	800.000	600.000	600.000	400.000	200.000
B	1.200.000	1.200.000	1.100.000	1.100.000	1.200.000	-100.000
C	600.000	600.000	400.000	400.000	600.000	-200.000
D	400.000	400.000	330.000	330.000	350.000	-20.000
TOTAL	3.000.000	3.000.000	2.430.000	2.430.000	2.550.000	-120.000

-320.000

Pre-financing payment	60%	1.800.000	(with 150.000 contribution PGF = 5% of 3.000.000)
Interim payment	30%	900.000	
Total payments	90%	2.700.000	(with 2.550.000 of net payment to coordinator)

Debt of Consortium to the EC $2.700.000 - 2.430.000 = 270.000$ (150.000 PGF and 120.000 consortium)

RO against PGF	150.000	initial contribution of the PGF
RO against A	120.000	This RO cannot be offset!
Cancelation of RO	(120.000)	Coord. reacts and send payment dist.
RO against B	37.500	$= (100.000 \times 120.000) / 320.000$
RO against C	75.000	$= (200.000 \times 120.000) / 320.000$
RO against D	7.500	$= (20.000 \times 120.000) / 320.000$
Total Recovered	270.000	

These 3 RO can be offset. If they are not paid in due time the **Fund can intervene** and pay for them to the EU budget.

Thank you