

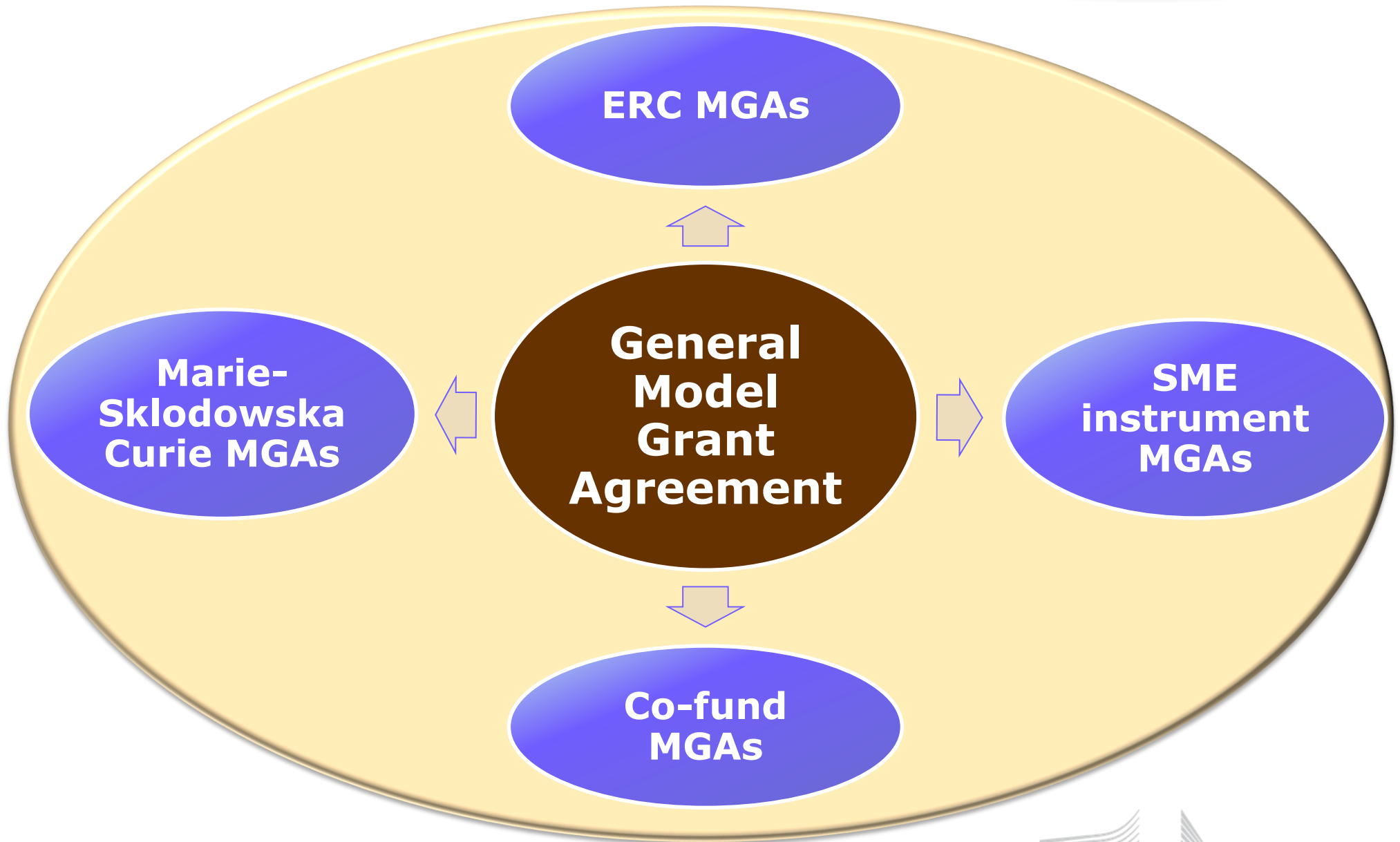


HORIZON 2020

Model Grant Agreement LEGAL AND FINANCIAL ISSUES

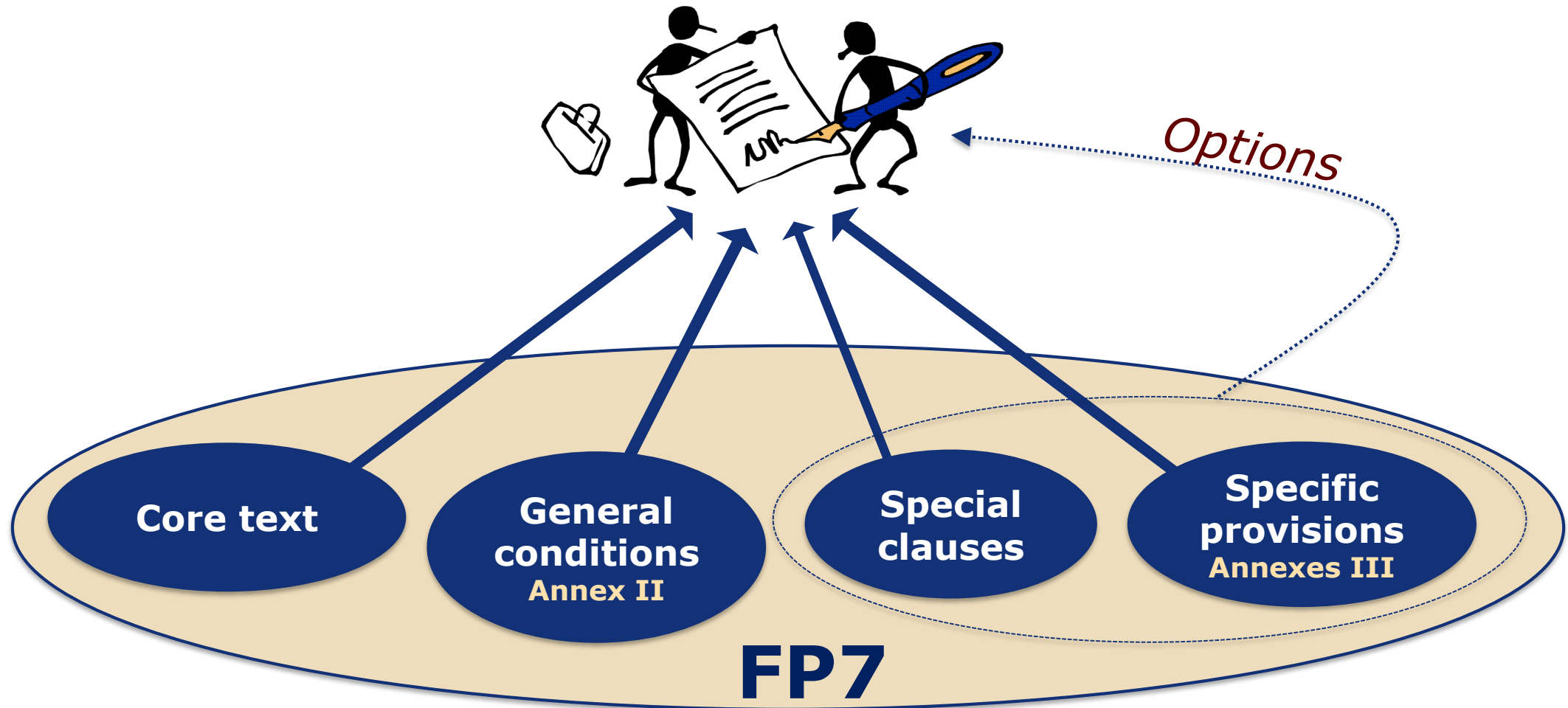
Horizon 2020 model Grant Agreement:

Specific models



Horizon 2020 model Grant Agreement:

A single document with all provisions



H2020 Grant Agreement

Chapter 1: General

- Single article: subject of the agreement

Chapter 2: Action

- Action, duration and budget

Chapter 3: Grant

- Amount, reimbursement rates, eligible costs

Chapter 4: Rights and obligations

- To implement the action: resources, in-kind contributions, subcontracts
- Grant administration: reporting, payments, audits
- Background and results: access rights, protection of results, exploitation, dissemination
- Others: gender equality, ethics, confidentiality

Chapter 5: Division of roles

- Roles and responsibilities, internal arrangements

Chapter 6: Rejection, reduction, penalties, termination, etc.

- Rejection, reduction, recovery and penalties
- Suspension and termination of the action

Chapter 7: Final provisions

- Accession, entry into force, amendments, applicable law

Horizon 2020 model Grant Agreement:

Annexes to the grant

Annex 1: **Description of the action**

Annex 2: **Estimated budget, 2a – unit costs**

Annex 3: **Accession Forms, 3a & 3b**

Annex 4: **Financial statements**

Annex 5: **Certificate on the financial statements**

Annex 6: **Certificate on the methodology**

Forms of costs

Actual costs

- Costs actually incurred, identifiable and verifiable, recorded in the accounts, etc.

 **NEW:** non-deductible VAT paid is also eligible

Unit costs

- A fixed amount per unit determined by the Commission
Example: SME owners' unit cost
- For average personnel cost (based on the usual accounting practices – with or without COMUC)

Lump sum

- A global amount to cover one or several cost categories
Example: Phase 1 of the SME instrument

Flat rate

- A percentage to be calculated on the eligible costs
Example: 25 % flat rate for indirect costs

Budget categories and Forms of costs

FORMS OF COSTS	BUDGET CATEGORIES					
	DIRECT COSTS				INDIRECT COSTS	SPECIFIC CATEGORIES OF COSTS
	Personnel	Subcontracting	Financial support to 3rd parties	Other		
Actual costs	✓	✓	✓	✓	✗	✗
Unit costs	Yes for - Average personnel costs - SME owners & natural persons without a salary	✗	✗	NEW! (2017) Yes for Internal Invoices	✗	Yes if foreseen by Comm. Decision
Flat-rate costs	✗	✗	✗	✗	✓	✗
Lump sum costs	✗	✗	✗	✗	✗	Yes if foreseen by Comm. Decision

Budget categories: budget transfers

Budget transfers and re-allocation	Amendment needed?
From one beneficiary to another	NO
From one budget category to another	NO
Re-allocation of Annex 1 tasks	YES
Transfers between forms of costs (actual costs, unit costs, etc.)	YES if the 'form' receiving the transfer was not included in the budget (a new unit cost under column F)
↪ Transfers within <i>personnel costs</i>	NO
↪ Transfers to costs of internally invoiced goods and services	NO
New subcontracts	YES (strongly advised)

**NEW !
(2017)**

Budget categories: budget transfers (example)

Estimated budget for the action											
A. Direct personnel costs				B. Direct costs of subcontracting	[C. Direct costs of fin. support]	D. Other direct costs		E. Indirect costs	[F. Costs of...]		
A.1 Personnel		A.4 SME owners without salary				D.1 Travel		D.5 Cost of internally invoiced goods and services	[F.1. Cost of...]	[F.2 Cost of...]	
A.2 Natural persons under direct contract		A.5 Beneficiaries that are natural persons without salary				D.2 Equipment					
A.3 Seconded persons						D.3 Other goods and services					
[A.6 Personnel for providing access to research infrastructure]						D.4 Costs of large research infrastructure					
Form of costs	Actual	Unit	Unit	Actual	Actual	Actual	Unit	Flat rate 25 %	Unit	[Unit] [Lump sum]	
	(a)	Total (b)	No hours (c)	(d)	(e)	(f)	(g)	(g)	(j1)	(j2)	
Beneficiary 1	500.000	0	100	150.000	0	325.000	0	207.053	0	0	
Beneficiary 2	0	300.000	0	0	0	125.000	0	106.250	0	0	

Duration and start date of the action

Duration: in months, established in Article 3 GA

Start Date: established in Article 3 GA, usually the first day of a month

⇒ **By default:** the month following the entry into force

⇒ **Only if justified: fixed date**

↳ **General rule:** later than the date of entry into force

↳ **Exceptionally:** between the date of the submission of grant application and the entry into force

Payments

	Time-to-Pay	From
One Pre-financing	30 days	From: entry into force or 10 days before the starting date (whichever is the latest)
→ Retention 5 % of maximum grant for the Guarantee Fund		
Interim Payments	90 days	From reception of periodic report
→ Based on financial statements (EU contribution= eligible costs approved X reimbursement rate)		
→ Limit = 90 % of the maximum grant (Retention 10%)		
Payment of the Balance	90 days	From reception of final reports

Third parties: basics

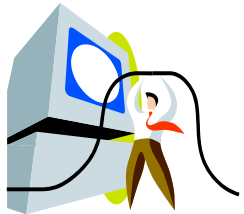
⇒ What is a third party?

↳ A legal entity which carries out work of the action, supplies goods or provide services for the action, but which did not sign the grant agreement

⇒ What types of third parties?



1. Third parties directly carrying out part of the work described in Annex 1

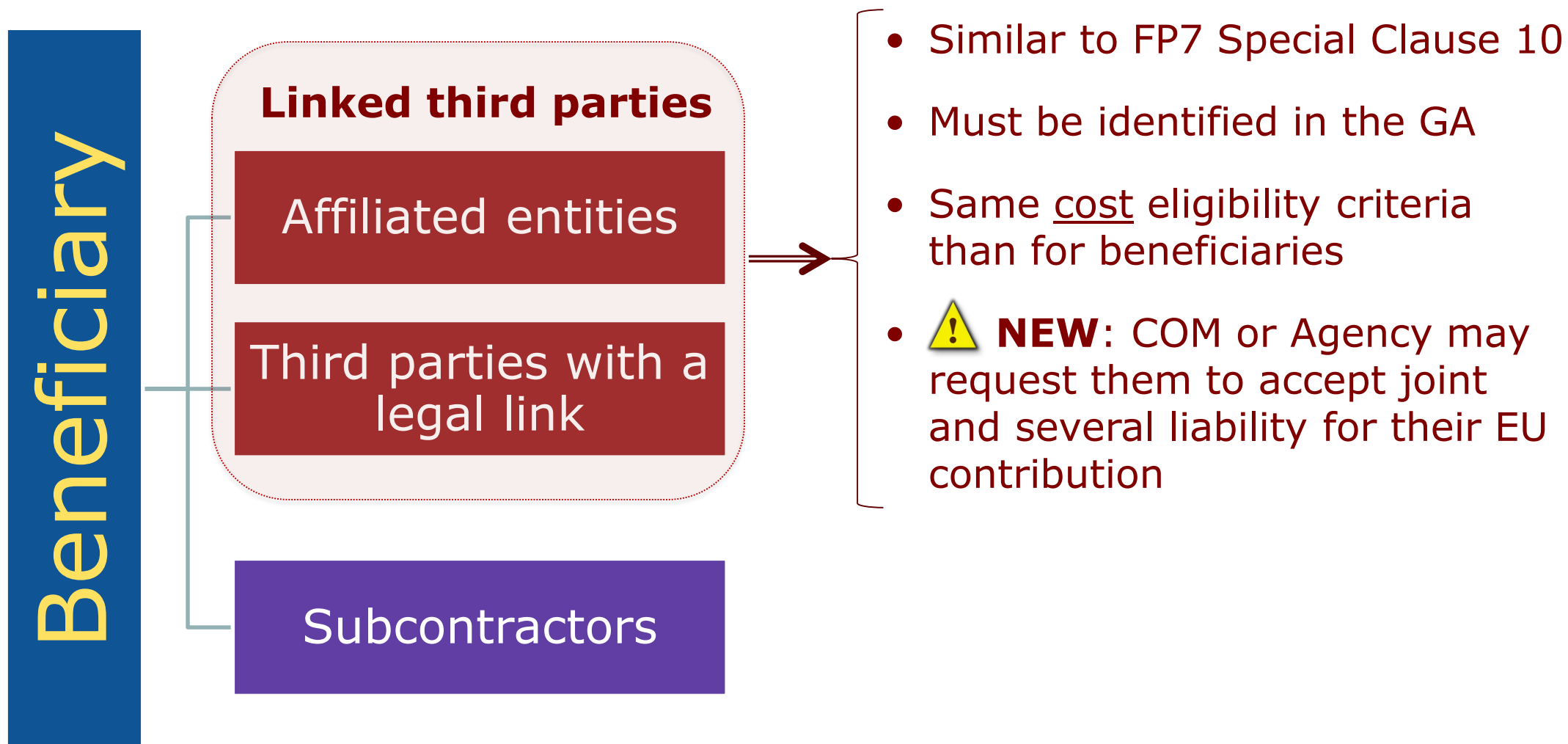


2. Other third parties providing resources, goods or services to the beneficiaries for them to carry out the work described in Annex 1



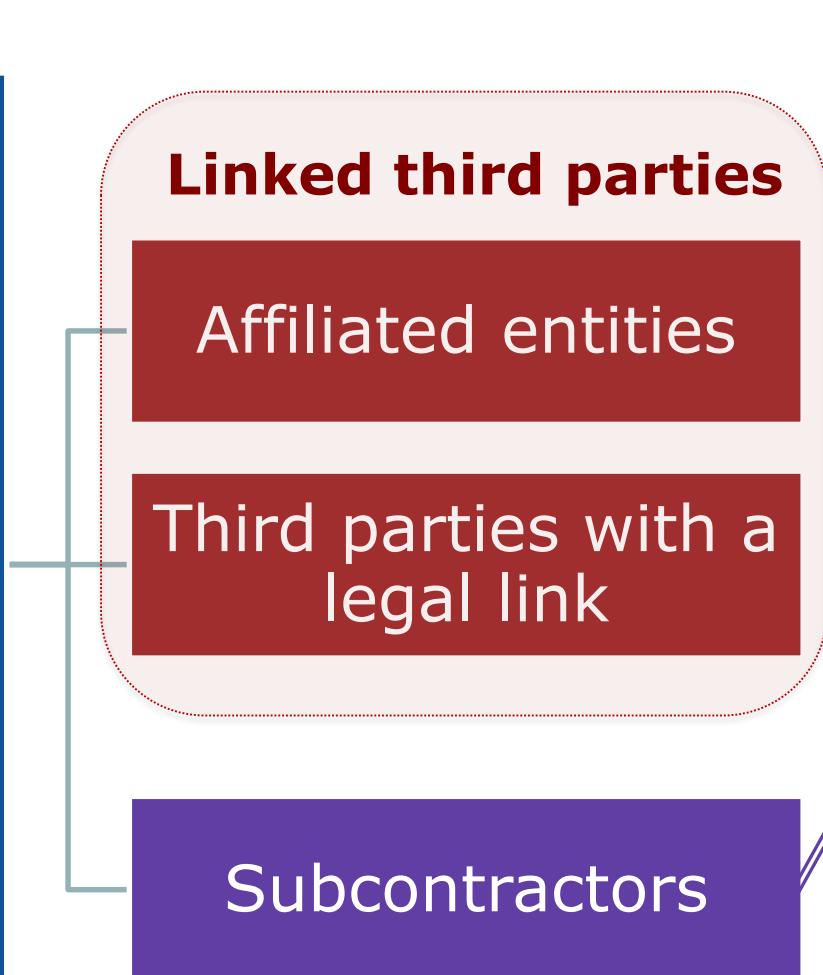
3. Third parties receiving financial support (money) from the beneficiary as part of the action: only when authorised in the call

1. Third parties carrying out work in the action



1. Third parties carrying out work in the action

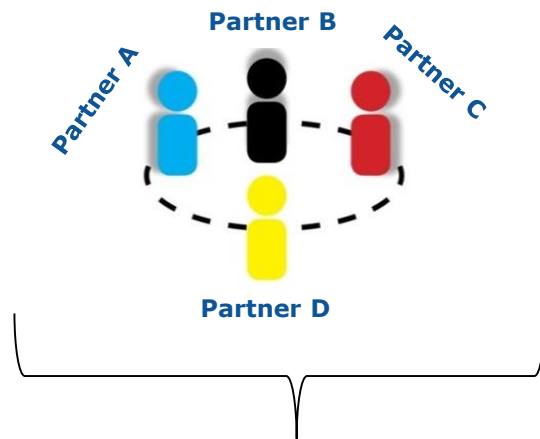
Beneficiary



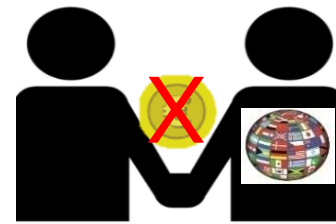
- Ensure best value for money and avoid conflict of interests
- ⚠ Subcontracting between beneficiaries is **not allowed**. Subcontracting to affiliates is generally not allowed either
- Estimated costs and tasks must be identified in the budget and in Annex 1
- **NEW**: if not identified in Annex 1, Commission may still approve them (beneficiary bears the risk of rejection)
- E.g.: Testing described in Annex 1 as action task

"INTERNATIONAL PARTNERS"

H2020 project



- Signatories of the GA
- May receive EU funding
- **Partner B** has one **International Partner**



International Partner:

- Linked to Partner B
- Participant Identification Code (PIC number)
- Not Signatory of the GA
- No EU funding
- Own (non EU) Budget
- Action Tasks in the Project
- No financial reporting

2. Other third parties

Beneficiary

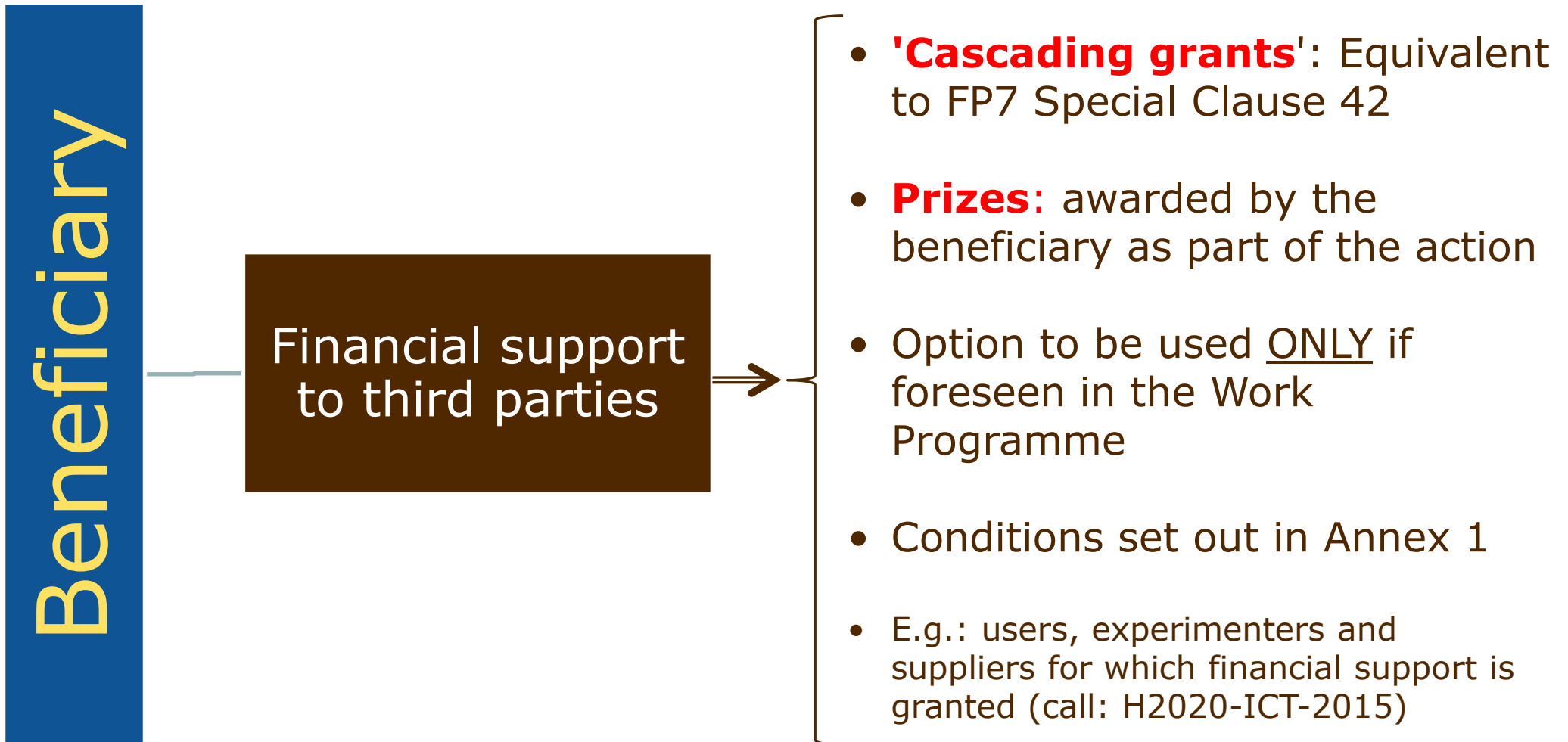
Contracts
necessary for the
implementation

In- kind
contributions

- For the purchase of goods, works or services
- Ensure **best value for money** and avoid any **conflict of interests**
- E.g.: CFS, supply of consumables, etc.

- Free of charge or against payment
- ⚠ Only the actual eligible costs of the third party may be charged
- Must be set out in Annex 1
- **NEW**: if not identified in Annex 1, Commission may still approve them (beneficiary bears the risk of rejection)
- E.g.: seconded staff, use of equipment

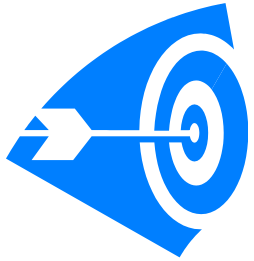
3. Financial support to third parties



Third parties: summary

Types of third parties	CHARACTERISTICS						
	Does work of the action	Provides resources or services	What is eligible?	Must be indicated in Annex 1	Indirect costs	Selecting the third party	Articles
Linked third party	YES	NO	Costs	YES	YES	Must be affiliated or have a legal link	Article 14
Subcontractors	YES	NO	Price	YES	NO	Best value for money, avoid conflict of interest	Article 13
International partners	YES	NO	No EU funding	YES	No EU funding	Partner to one beneficiary	Article 14a
In-kind contributions by third parties	NO	YES	Costs	YES	YES	Not used to circumvent the rules	Articles 11 and 12
Contractors	NO	YES	Price	NO	YES	Best value for money, avoid conflict of interest	Article 10
Financial support to third parties	Only if allowed in the call The beneficiaries' activity consists in providing financial support to the target population			YES	NO	According to the conditions in Annex 1	Article 15

What workforce contracts can you declare under personnel costs?



Standard case: persons hired by the beneficiary via an *employment contract*

(qualified as such under national law; and for whom the hiring entity pays social security contributions)

Other cases:

→ Natural persons hired directly via a contract other than an employment contract **if**:

- The person works under conditions similar to those of an employee (e.g. organisation or work, premises, etc.)
- The result of the work belongs to the beneficiary (exceptions may apply)
- The costs are similar than those of an employee of the beneficiary with similar tasks

**NEW !
(2017)**

→ Employees of a third party seconded to the beneficiary (must be set in Annex 1!)

Personnel costs: Calculation



Hours worked



Hourly rate

EUR/hour



Additional remuneration



Time records



Formula for actual costs & specific unit costs

Applies only to beneficiaries with project-based remuneration schemes

SME owner without a salary

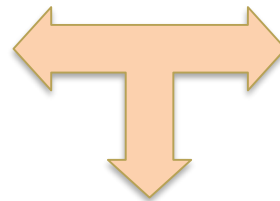
- Hourly rate (unit cost) fixed in the grant by the Commission

Average personnel costs

- Average hourly rate (unit cost) calculated in accordance with the beneficiary's usual cost accounting practices

Actual costs

1.A Salary **is** project-based



1.B Salary is **NOT** project-based

Per **full-financial year** or per **month**

Actual costs

1A - General case: the salary does not depend on specific projects

$$\text{Hourly rate} = \frac{\text{Total personnel costs}}{\text{Total productive hours}}$$

1B - Specific case: project-based remuneration

$$\text{Hourly rate} = \frac{\text{Personnel costs for the H2020 action}}{\text{Hours worked for the H2020 action}}$$



Subject to the provisions on **additional remuneration**

ACTUAL personnel costs: hourly rate



How do I know if I am in the general case 1A or in the specific case 1B?

If your remuneration for time worked in some projects is different from your remuneration for your other duties: you are in the **specific case (1B)**

For example:

- ↳ You get a supplementary employment contract to work in a project
- ↳ You get a bonus or premium for the time worked in a project
- ↳ Your contract fixes a specific hourly rate for work in specific projects

Otherwise, you are in the **general case (1A)**

Hourly rate: CASE 1A (remuneration is not project-based)

$$\text{Hourly rate} = \frac{\text{Personnel costs}}{\text{Productive hours}}$$

NEW !
(2016)

Annual hourly rate

Hourly rates calculated per full financial year

$$\frac{\text{Annual personnel costs}}{\text{Annual productive hours}}$$

Two options

Monthly hourly rate

Hourly rates calculated per month

$$\frac{\text{Monthly personnel costs}}{\text{Monthly productive hours}}$$

Hourly rate: CASE 1A (remuneration is not project-based)

$$\text{Hourly rate} = \frac{\text{Personnel costs}}{\text{Productive hours}}$$

Eligible personnel costs

➤ Include:

- ✓ Salaries
- ✓ Social security contributions (employers' and employees')
- ✓ Taxes and other costs included in the remuneration if they arise from national law or the employment contract

➤ Do not include:

- ✗ Any ineligible item (article 6.5)
- ✗ Any costs included in other budget categories (e.g. indirect costs)

Hourly rate: CASE 1A (remuneration is not project-based)

$$\text{Hourly rate} = \frac{\text{Personnel costs}}{\text{Productive hours}}$$

Annual productive hours

Advice

1720 hours

! you must use this option if the employment contract does not specify the working time conditions or if the "annual workable hours" cannot be determined

Individual annual productive hours

• Formula: annual workable hours + overtime - absences

Standard annual productive hours

• According to the beneficiary's usual accounting practices. Minimum threshold: annual productive hours \geq 90 % of the standard annual workable hours

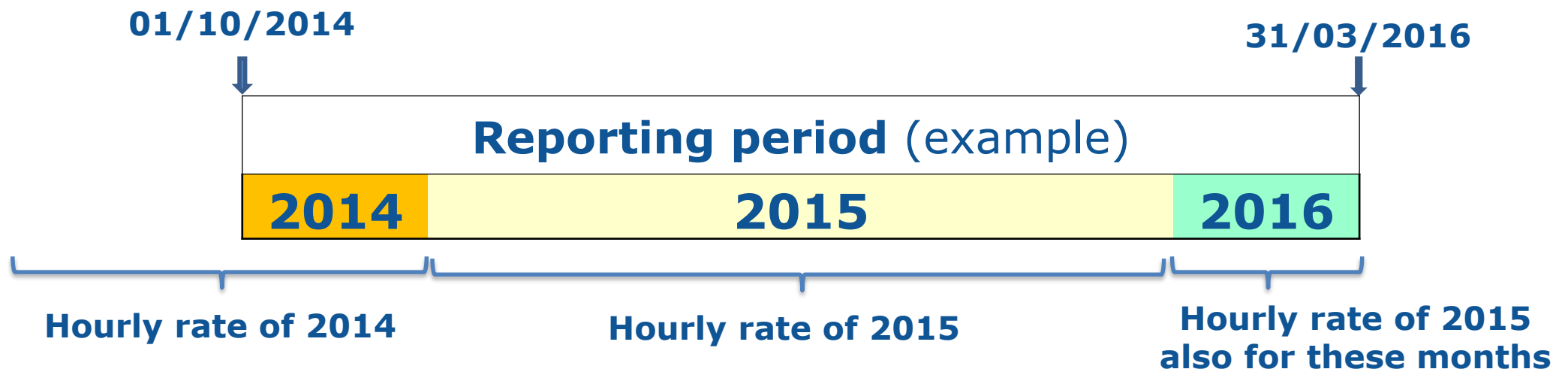
Hourly rate: CASE 1A (remuneration is not project-based)

Annual hourly rate specificities

$$\frac{\text{Annual personnel costs}}{\text{Annual productive hours}}$$

 The annual hourly rate is to be calculated **per full financial year**

If the financial year is not closed at the time of reporting, the beneficiary must use the hourly rate of the *last closed financial year available*.



Hourly rate: CASE 1A (remuneration is not project-based)

Monthly hourly rate specificities

$$\frac{\text{Monthly personnel costs}}{\text{Monthly productive hours}}$$

One hourly rate **per each month the person works in the action**

↪ **Monthly productive hours** = 1/12 of the annual productive hours

⚠ Only options 1 (1720) and 3 (standard) are allowed. Option 2 (individual) is NOT allowed for monthly hourly rates.

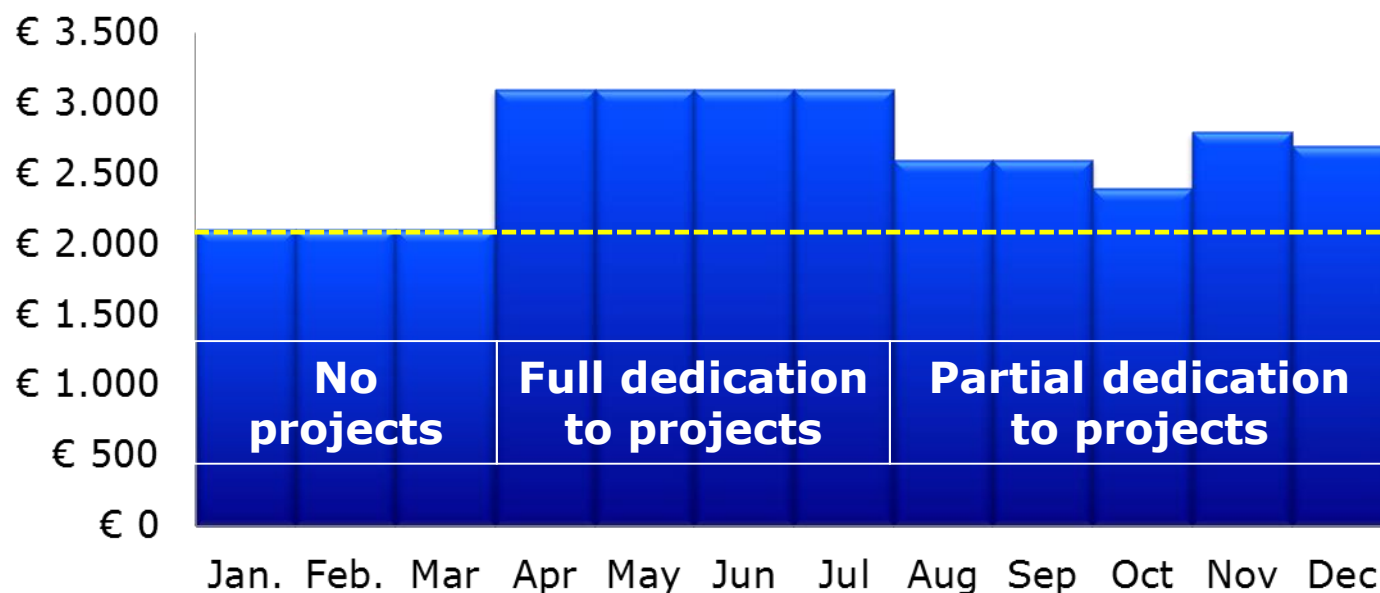
↪ **Thirteen salary** (and similar) included in each month "pro-rata"; not in full in the month when they are paid.

↪ **Time spent in parental leave** cannot be deducted from the monthly productive hours. However, personnel costs incurred during parental leave may be charged in proportion to the time the person worked for the action.

The remuneration of Ms R. is composed of:

Gross annual salary fixed by contract: 24 000 EUR + family allowance fixed in the collective labour agreement: 100 EUR/month

Besides, when she works in externally funded projects she gets an extra remuneration of 1 000 EUR per month of full dedication

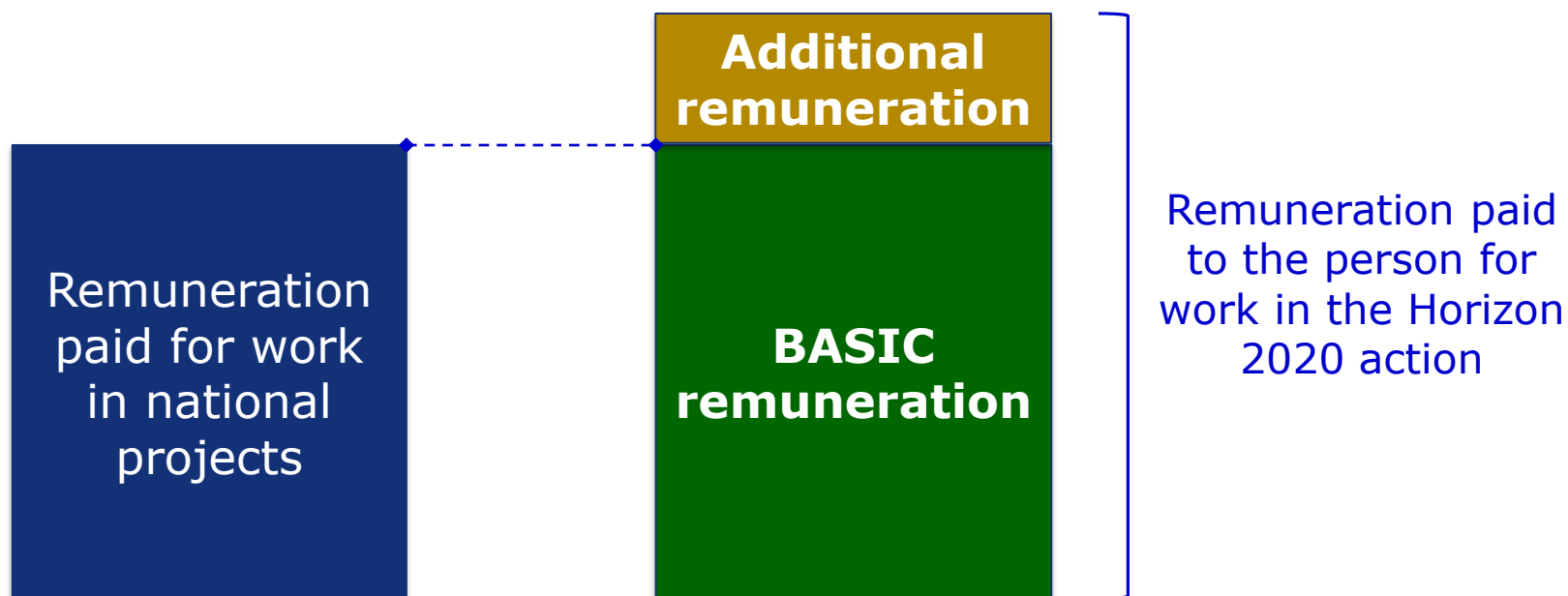


Ms R. would be in the specific case 1B! (her remuneration is project-based)

What is additional remuneration?

**NEW !
(2017)**

Article 6.2.A.1: 'Additional remuneration' means any part of the remuneration which exceeds what the person would be paid for time worked in projects funded by national schemes.



Additional remuneration may only be eligible for non-profit legal entities

Exchange rates provisions

➤ **Beneficiary's accounts in €**

For purchases in other currencies ⇒ conversion into Euros according to its usual accounting practice

➤ **Beneficiary's accounts in other currency**

Average of the daily exchange rates published in the Official Journal of the EU calculated over the reporting period.

Calculation shortcut: you may use the editable charts on the website of the European Central Bank at:

<http://www.ecb.europa.eu/stats/exchange/eurofxref/html/index.en.html>



Receipts

Income generated by the action
(except for action's results)

Income generated from the sale
of assets purchased in the GA

Receipts

In-kind contributions:
-specifically for the action
-received free of charge

Financial contributions
specifically assigned by
the donors to finance
the eligible costs

 **No-profit rule applied at project level, not per beneficiary!**

Final grant amount: calculation

Step 1 — Application of reimbursement rates to eligible costs

Total approved eligible costs (*actual costs, unit costs, flat-rate and lump sum costs, if any*) X reimbursement rate (*100 % for research actions, 70% for innovation actions*)

Step 2 — Limit to the maximum grant amount

The grant amount obtained in Step 1 is capped at the maximum grant amount set out in the GA

The grant amount following Steps 1 and 2 is the lower of the two amounts.

Step 3 — Reduction due to the no-profit rule

Profit of the action = Grant amount obtained in Step 2 + Receipts – Total eligible costs of the action

If Profit > 0 → grant amount obtained in Step 2 is reduced

If Profit < or = 0 → grant amount obtained in Step 2 is not reduced

Step 4 — Reduction due to improper implementation or breach of other obligations under the GA at the payment of the balance

Final grant amount is the lower of the following two amounts:

Amount obtained following Steps 1 to 3 ⇔ Amount obtained in Step 4

Final grant amount: example

EXAMPLE				
Maximum grant amount	Approved eligible costs	Funding rate	If Receipts	If Reduction
200	220	100%	30	20

Step 1

Total approved eligible costs X reimbursement rate

$$220 * 100 \% = 220$$

Step 2

The lower between Step 1 and the maximum amount of the grant

$$\text{Lower between } (220; 200) = 200$$

Step 3

Step 2 - profit of the action (Profit **(only if positive)** = Step 2 + receipts – Eligible cost)

$$200 - (200 + 30 - 220) \Rightarrow 200 - 10 = 190$$

Step 4

The lower between Step 3 and the reduced maximum grant amount (if any reduction)

$$\text{Lower between } (190; (200 - 20)) \Rightarrow \text{Lower between } (190; 180) = \mathbf{180}$$

Financial viability

- ⇒ Most beneficiaries exempt from detailed analysis; only systematic check for coordinators when requested EU funding for the action is \geq EUR 500 000

Certificates

- ⇒ **Certificate on the financial statements:** Only for final payments when total EU contribution claimed by the beneficiary on the basis of actual costs + unit costs for average personnel + unit costs for internal invoices \geq EUR 325.000 (excluding e.g. flat rates !)
- ⇒ **Certificate on the methodology:** Optional for average personnel costs (now under unit costs)

Ex-post audits

- ⇒ Audits of the Commission limited to **two years** after the payment of the balance

Extension of audit findings

- ⇒ Former "extrapolation" (FP7) now included in the MGA
- ⇒ In the case of systemic or recurrent errors, irregularities, fraud or breach of obligations

ADDITIONAL INFO:

Participant Portal

At: <http://ec.europa.eu/research/participants/portal/desktop/en/home.html>



Horizon 2020 Annotated Grant Agreement

http://ec.europa.eu/research/participants/data/ref/h2020/grants_manual/amga/h2020-amga_en.pdf



Horizon 2020 On-line Manual

<http://ec.europa.eu/research/participants/portal/desktop/en/funding/guide.html#>



Questions? *Research Enquiry Service*

<http://ec.europa.eu/research/enquiries>



HORIZON 2020

**Thank you
for your attention!**

Find out more:

<http://ec.europa.eu/programmes/horizon2020/>