



H2020

Participant Guarantee Fund

H2020 COORDINATOR'S DAY

12 APRIL 2018

DG RTD – Designated service of the Commission
for the management of the Guarantee Fund
Veronica MUNOZ

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
- Mechanisms 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'



Fund covers the risk of **non-recovery of sums due to the Union** under actions financed through grants by EC*

** except for: liquidated damages or financial penalties*

PGF Direct Intervention: in **on-going** **action**

The Fund directly transfers to the coordinator amounts unduly received by a defaulting participant *



To allow the finalisation of a project

**3 conditions needed – Action ongoing, no change in objectives and termination of participant via amendment of the GA – H2020 RfP*

PGF Indirect Intervention: in on-going, terminated or closed action

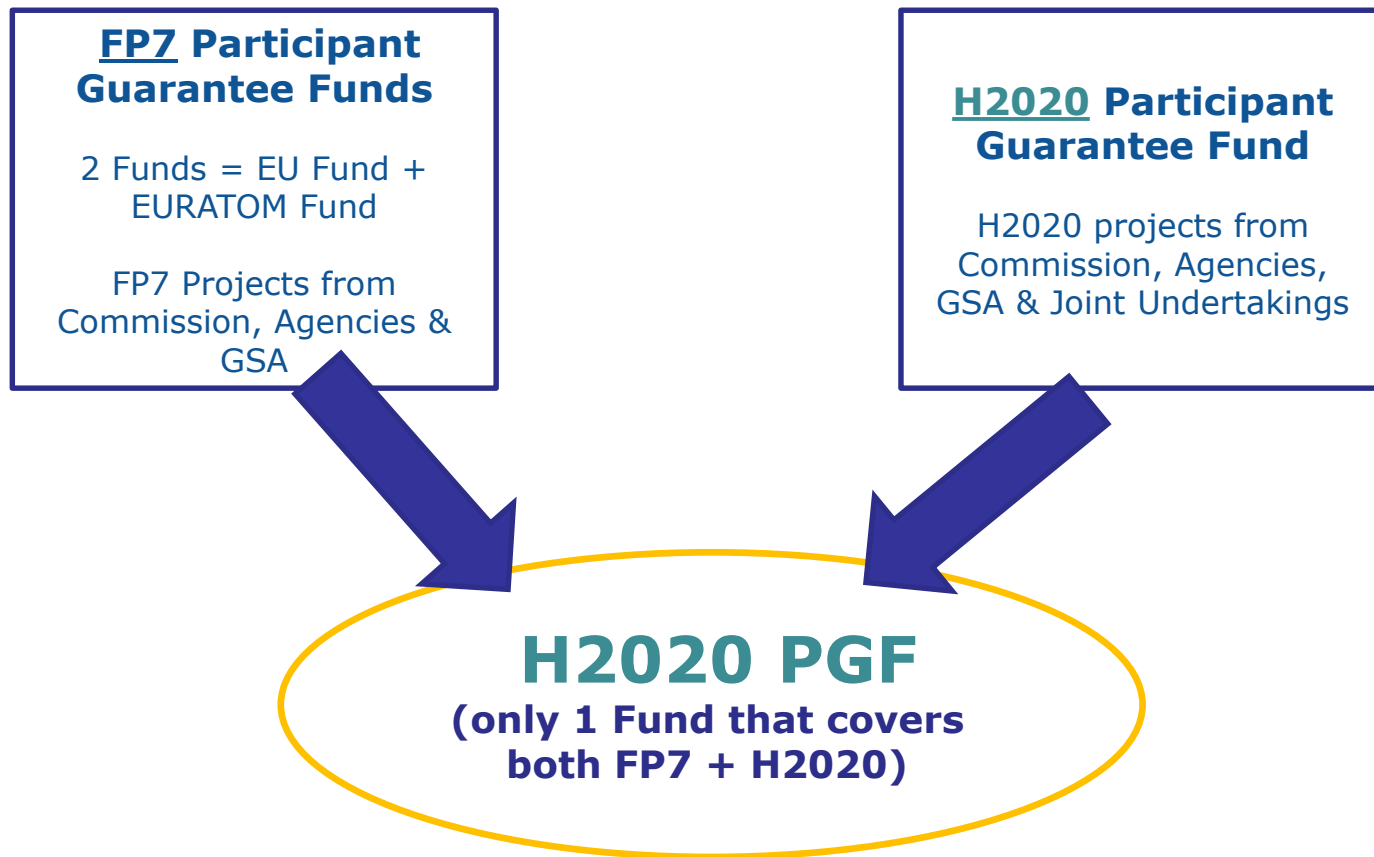
The Fund **covers unpaid recovery orders** issued against a participant *



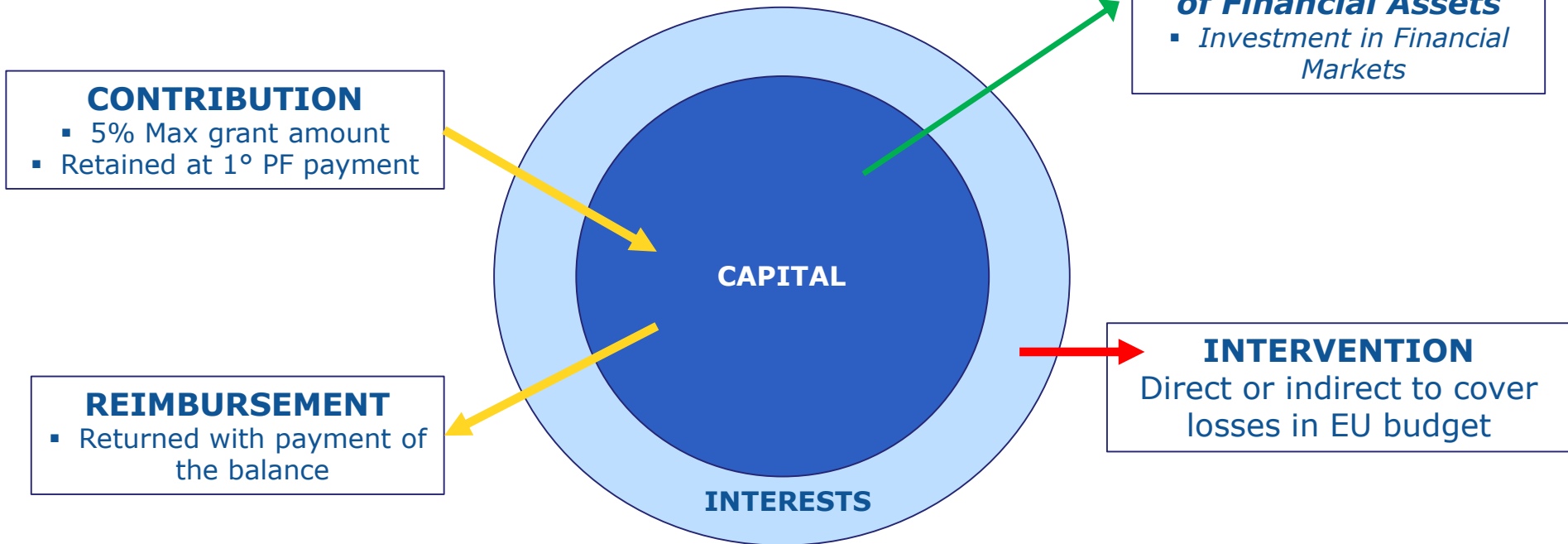
To ***protect*** the losses of the ***EU budget***

** except for: liquidated damages or financial penalties*

Creation of the PGF



PARTICIPANT GUARANTEE FUND (PGF)



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 compared to FP7 PGF
 - contribution 5% of the max grant amount
 - deducted from the 1st PF payment
 - contribution is reimbursed at the end of the action
 - PGF interests used for interventions
- Changes for H2020 PGF
 - 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 H2020 (from 2007 until February 2018)

▪ Contributions	3.62 EUR billion
▪ Reimbursements	1.72 EUR billion
▪ Interventions	83.73 EUR million
▪ Recovered amount	7.1 EUR million
▪ Interests available for interventions	45.65 EUR million

Mechanisms: CRI

- Contributions
- Reimbursements
- Interventions

CONTRIBUTIONS

- ❑ 5% Max grant amount fixed in the GA
- ❑ Deduction from first pre-financing payment
- ❑ European Commission (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: Direct (Art. 39.3 (a)RP H2020)

- ❑ Action on-going & pre-financing that coordinator cannot recover from defaulting participant*
- ❑ Participant terminated from GA (amendment)
- ❑ The Fund intervention with 2 transactions:
 - Payment from Fund to coordinator
 - Recovery from Fund against defaulting participant

** 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..."*

INTERVENTIONS: Indirect (Art. 39.3(b) RP H2020)

- ❑ Fund covers the loss of EU Budget of unpaid recovery orders issued after:
 - Participant terminated from GA – pre-financing due to the EC
 - Non-distribution of interim payment
 - Negative payment of the balance
 - Non-distribution of payment balance
 - Audit

- ❑ The Fund intervention with 2 transactions:
 - Payment from Fund to EU budget
 - 2nd Recovery from Fund against defaulting participant

SITUATIONS INTERVENTION OF THE PGF



pre-financing that coordinator cannot recover from defaulting participant - **3 conditions** :

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

STEPS DIRECT INTERVENTION:

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

RECOVERY ORDER

terminated participant

RECOVERY ORDER

Non distribution of interim payment

RECOVERY ORDER

Negative Payment of the balance

Coord./Participant

RECOVERY ORDER

Non distribution of payment of balance

RECOVERY ORDER

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)

Recovery order: Negative 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

Recovery order: Negative payment of the balance

Example 2/3

Case 1 – RO to coordinator & No reaction from coordinator

- ❑ EU sends a pre-info letter to the coordinator for 120 000 EUR
 - 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) → PGF Indirect Intervention:
 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

Recovery order: Negative 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 services cancel the RO issued against the coordinator → negative RO for partial or total amount depending on the information received

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

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 x 120.000) / 320.000
RO against C	75.000	= (200.000 x 120.000) / 320.000
RO against D	7.500	= (20.000 x 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