

## Horizon 2020 – Financial Issues

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# FINANCIAL ISSUES IN HORIZON 2020: OVERVIEW



**funding rates**

**CFS &  
EU Audit**

**eligible costs:**

- personnel costs
- travel costs
- other direct costs
- etc.

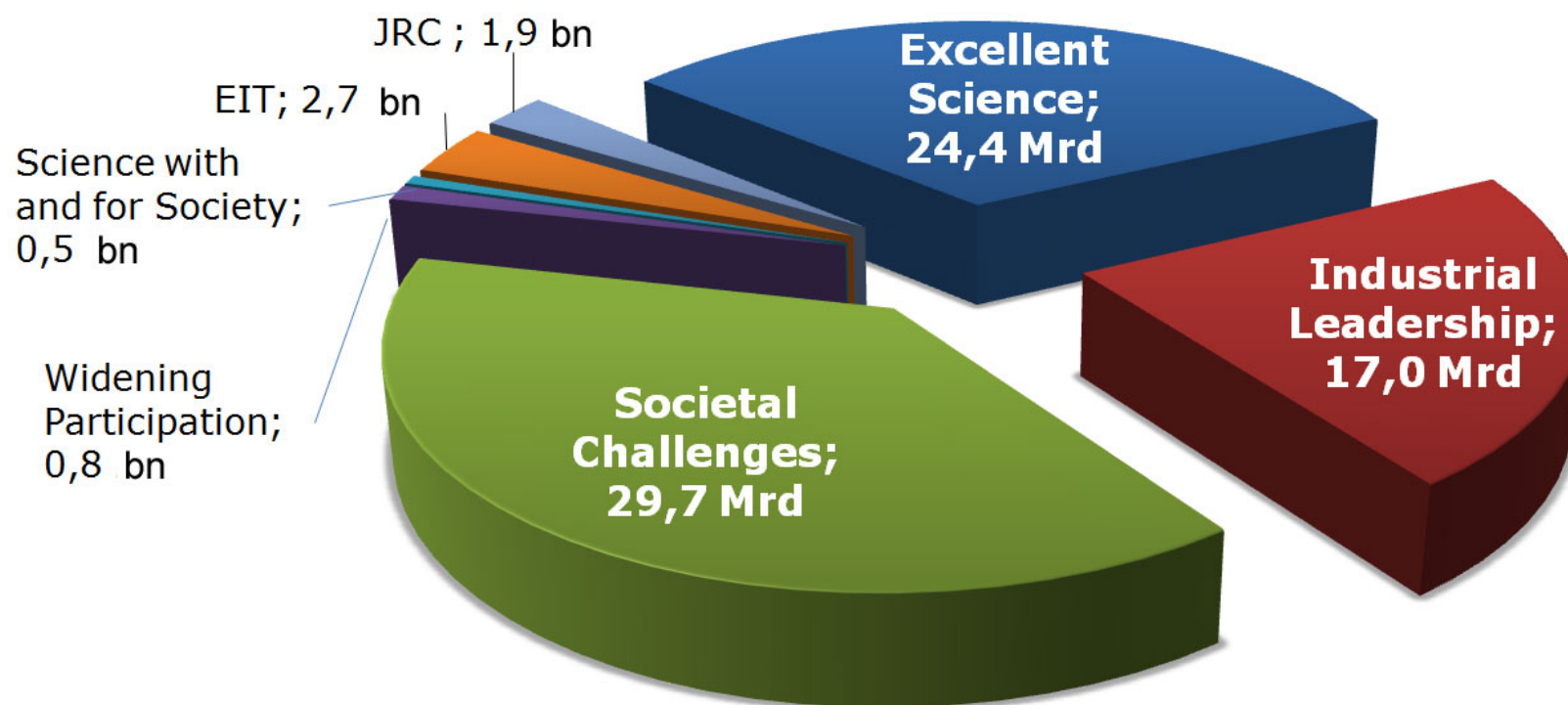
**reporting &  
payments**

**financial rules in the  
Consortium Agreement**

# HORIZON 2020: THE BUDGET



**€15 billion over  
first two years (calls 2014-15)**



EUR **77 bn** (current prices)

# FUNDING INSTRUMENTS



Action Type	Aim	Rate
<b>Research and Innovation Actions (RIA)</b>	collaborative research projects	100 %
<b>Innovation Actions (IA)</b>	plans/ arrangements/ designs for new/ altered/ improved products/ processes/ services	70 % (100 %)
<b>Co-ordination and Support Actions (CSA)</b>	accompanying measures	100 %
<b>European Research Council (ERC)</b>	support excellent investigators	100 %
<b>Marie Skłodowska-Curie Actions (MSCA)</b>	mobility of researchers for training & career development	100 %
<b>Fast Track to Innovation (FTI)</b>	see <i>IA</i>	70 % (100 %)
<b>SME Instrument (SME)</b>	Demonstration activities, market replication	70 %
<b>Various Co-Funds (e.g. ERA-Net Co-fund)</b>	EU co-funding in various fields	33 %
<b>Inducement Prizes (PRI)</b>	recognise achievements, induce future activities	-----
<b>Financial instruments</b>	Access to risk finance	-----

# TYPES OF ACTIONS



**Type of action:** indicated at the end of the **‘topic description’** of the call.

**Sustainable Food Security**

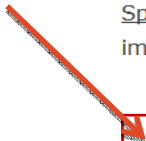
H2020-SFS-2015-2 Sub call of: [H2020-SFS-2014-2015](#)

<b>Publication date</b>	2013-12-11	<b>Deadline Date</b>	2015-02-24 17:00:00 (Brussels local time)
<b>Total Call Budget</b>	€93,000,000	<b>Stage 2</b>	2015-06-11 +17:00:00 (Brussels local time)
<b>Status</b>	<span style="background-color: #28a745; color: white; padding: 2px;">Open</span>	<b>Main Pillar</b>	Societal Challenges
		<b>OJ reference</b>	<a href="#">OJ C361 of 11 December 2013</a>

**Topic: Biological contamination of crops and the food chain** **SFS-13-2015**

Topic Description [Topic Conditions & Documents](#) [Submission Service](#)

Specific challenge: The occurrence of biological contamination in various crops is of major concern as it has major implications for food and feed safety, food security and international trade. Worldwide, it is estimated that mycotoxins are



Type of action: Research and innovation actions

## FUNDING RATES I

**Direct  
Costs**

**Indirect  
Costs**

**Research and Innovation Actions (RIA),  
CSAs, ERC etc.:**

- **Funding rate: 100 %**
- **Indirect costs: 25 % flat rate**

i.e. 25 % of all direct costs  
**except** subcontracting + third  
parties' in-kind contribution not  
used on the beneficiaries  
premises

Direct Costs	Indirect Costs	Total	Funding rate	Funding
100 €	25 €	125 €	100 %	125 €

## FUNDING RATES II



**Direct  
Costs**

**Indirect  
Costs**

### Innovation Actions (IA):

- **Funding rate: 70 % (for-profit org.)  
100 % (non-profit org.)**
- **Indirect costs: 25 % flat rate**

Type of organisation	Direct costs	Indirect costs	Total	Funding rate	Funding
For-profit org.	100 €	25 €	125 €	70 %	87,5 €
Non profit org.	100 €	25 €	125 €	100 %	125 €

# SPECIFIC RULES FOR NON-PROFIT ORGANISATIONS



## **Definition of 'non-profit':** legal entity

- which by its **legal form** is **non-profit-making** or
- which has a **legal or statutory obligation not to distribute profits** to its shareholders or members

## **Specific rules:**

- **100 % funding** also for Innovation Actions
- **additional remuneration** is eligible (up to € 8.000,- per FTE/year) if:
  - part of the beneficiary's usual remuneration practices
  - paid for additional work or expertise
  - criteria are objective and generally applied by the beneficiary
- **VAT:** eligible costs (if non-deductible and paid by the beneficiary)



# THE LIFE CIRCLE OF A HORIZON 2020 PROJECT



- Call for proposals
- Information on evaluation outcome within 5 months from deadline
- **Consortium Agreement (CA)** is signed
- **Grant Agreement (GA)** is signed within 8 months from deadline
- **Start of the Project**
- **Coordinator receives pre-financing within 30 days after GA enters into force**
- **Implementation of the Project**
- Usually 2 to 3 reporting periods with interim reports; **interim payments within 90 days from report submission**
- **End of the Project**
- Final reporting; **final payment within 90 days from report submission**
- Obligation to protect/exploit/disseminate the project results continues beyond the project's lifetime

## **Types of costs:**

- Actual costs
- Unit costs
- Flat-rate costs
- Lump-sum costs

## **Standard cost categories:**

- 1) Personnel costs
- 2) Subcontracting costs
- 3) Other direct costs (e.g. travel expenses, equipment/ infrastructure depreciation, services...)
- 4) Indirect costs

# GENERAL CONDITIONS FOR ELIGIBLE COSTS



- ✓ Incurred **by the beneficiary** (or involved Third Parties carrying out tasks)
- ✓ incurred **during the duration of the action** (except costs for final reporting)
- ✓ indicated in the **estimated budget** of the action
- ✓ **identifiable and verifiable**
- ✓ **necessary** for the action as described in the GA
- ✓ in compliance with national laws on taxes, labour and social security
- ✓ in compliance with **beneficiary's usual accounting practice**
- ✓ reasonable, justified, **sound financial management**

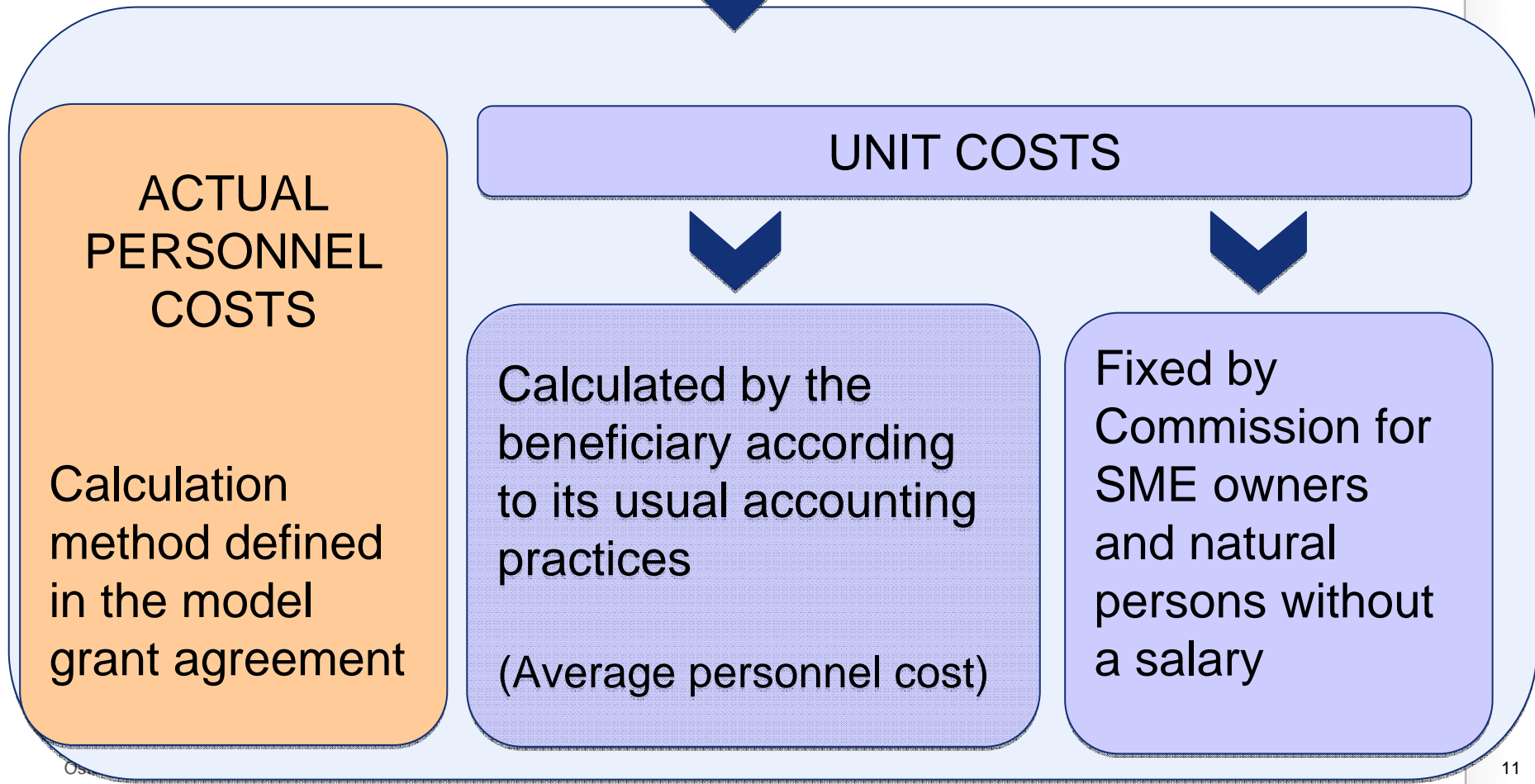
# PERSONNEL COSTS: OVERVIEW



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## CALCULATING PERSONNEL COSTS

art. 6.2.A  
GA



# CALCULATION OF PERSONNEL COSTS AS ACTUAL COSTS



## Personnel costs

=

**hourly rate x hours worked for the project**

**Hourly rate** („basic remuneration“):

**annual gross salary** (as stated on the payroll, incl. social security, taxes and ‚mandatory extras‘ -> no bonuses etc.!)  

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**annual productive hours** (three options)

*It's not possible to charge more hours than the annual productive hours used to calculate the hourly rate.*

# OPTIONS FOR THE CALCULATION OF ANNUAL PRODUCTIVE HOURS



## **Option 1: „1720 fixed hours“:**

- standard number, may be used by any beneficiary (pro-rata for part-time employees)
- advantage: simple method, no mistakes

## **Option 2. „Individual annual productive hours“:**

- calculation: **‘Annual workable hours’** of the individual employee (including annual leave and bank holidays)  
**+ overhours – absences** (sick leave etc.)

## **Option 3. „Standard annual productive hours“**

- calculated according to the usual accounting practises of the beneficiary
- the standard annual productive hours‘ must correspond to at least **90 % of the ,standard annual workable hours‘**

## PERSONNEL COSTS: MISCELLANEOUS



### **SME owners/natural person without salary:**

- **cost calculations** based on „**unit costs**“ (fixed hourly rate per country, determined by Commission decision; must be indicated in the GA)

### **Persons with a direct contract with the beneficiary:**

- costs are eligible under certain circumstances

#### **Time-keeping records:**

- Only the **hours worked for the project** must be recorded.
- For employees working **exclusively** for one project: written confirmation.

**Subcontractors** implement certain action tasks and charge a regular market price for their services.

- **tasks to be implemented** and **estimated costs** must be set out in the **GA** (justified necessity and not foreseeable)
- best value for money or lowest price
- contracting authorities must comply with public procurement law
- **no indirect costs** on subcontracting!



**Linked Third Parties** implement certain action tasks. They **report their own costs**. Same rules as for beneficiaries apply - no profit!

- **Names** and **tasks** of Linked Third Parties must be indicated in the **GA**
- **Only affiliates** of a beneficiary **or** organisations with a **legal link to a beneficiary** may implement action tasks as a Linked Third Party

### **Travel costs and related subsistence allowances**

**of employees and experts** participating in the project

- must be **necessary** for the action and
- in line with the beneficiary's **usual practises** on travel

### **Depreciation of equipment and infrastructure**

- the **pro-rata share** used by the project is eligible (even if bought before the beginning of the action)
- purchased in accordance with the rules for the purchase of goods
- **depreciation** according to usual standards and practises
- rent/lease possible (if not exceeding depreciation costs)

### **Purchase of goods, works and services** (e.g. CFS, translations, catering, printing costs)

- need not be indicated in the GA
- best value for money or lowest price
- contracting authorities must comply with public procurement law
- indirect costs are eligible for the purchase of services (contrary to subcontracting)

## PAYMENT MODALITIES

- **1 pre-financing payment within 30 days**  
after start of action or entry into force of GA
    - ✓ includes **5%** of maximum grant amount for **guarantee fund**
  - **1 or several interim payment(s) within 90 days of report reception and no time suspension**
    - ✓ reimbursement of eligible costs for reporting period
    - ✓ subject to approval of report
  - **1 payment of the balance within 90 days**  
of final report reception and no time suspension
- max. 90 %

## CERTIFICATE ON THE FINANCIAL STATEMENTS (CFS)



- **Only required if** funding per partner exceeds **325.000 €**
- **Calculation** of the threshold value *only* on the basis of actual costs and average personnel costs
- To be **submitted only once** (together with the final reporting)

- New balance between trust and control  
=> **audit strategy** focused on **risk and fraud prevention**
- Audits may take place **within two years after the balance payment**
- **Possible consequences:** rejection of costs, reduction of the grant, recovery; extension of the audit to other projects in case of 'systematic errors'

## CHECKS AND REVIEWS



art. 22 + 23  
GA

- **Checks** regarding the proper implementation of the action. during and after the action (no time limit)
- **Reviews:** during the action and up to two years after the payment of the balance
- **Evaluation of the impact** of the action: up to five years after the payment of the balance
- **Financial viability check** only for coordinators (except public bodies) with a project budget of more than 500.000 €

**Records and supporting information** must be kept for **five years** after the balance payment!

## FURTHER INFORMATION

### **Horizon 2020 Webpage (EC)**

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

### **Participant Portal**

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

### **Reference documents (eg. RfP, Model GA, manuals):**

[http://ec.europa.eu/research/participants/portal/desktop/en/funding/reference\\_docs.html](http://ec.europa.eu/research/participants/portal/desktop/en/funding/reference_docs.html)

### **Annotated Model Grant Agreement:**

[http://ec.europa.eu/research/participants/data/ref/h2020/grants\\_manual/amga/h2020-amga\\_en.pdf](http://ec.europa.eu/research/participants/data/ref/h2020/grants_manual/amga/h2020-amga_en.pdf)

### **Get support (Helpdesk, NCPs etc.)**

<http://ec.europa.eu/research/participants/portal/desktop/en/support/index.html>

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