Model Grant Agreement

LEGAL AND FINANCIAL ISSUES
Horizon 2020 model Grant Agreement:

- ERC MGAs
- Marie-Sklodowska Curie MGAs
- SME instrument MGAs
- Co-fund MGAs

Specific models
Horizon 2020 model Grant Agreement:
A single document with all provisions

- Core text
- General conditions
  - Annex II
- Special clauses
- Specific provisions
  - Annexes III

Options

FP7

Disclaimer: Information not legally binding
Annex 1: Description of the action

Annex 2: Estimated budget

Annex 3: Accession Forms, 3a & 3b

Annex 4: Financial statements

Annex 5: Certificate on the financial statements

Annex 6: Certificate on the methodology
### Reimbursement rate

**Maximum reimbursement rates**

<table>
<thead>
<tr>
<th>Network of excellence</th>
<th>Research and technological development activities (*)</th>
<th>Demonstration activities</th>
<th>Other activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>50% 75% (***)</td>
<td></td>
<td></td>
<td>100%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Collaborative project(****)</th>
<th>50% 75% (***)</th>
<th>50%</th>
<th>100%</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Coordination and support action</th>
<th>100% (***)</th>
</tr>
</thead>
</table>

(*) Research and technological development includes scientific coordination.

(**) For beneficiaries that are non-profit public bodies, secondary and higher education establishments, research organisations and SMEs

(***) The reimbursement of indirect eligible costs, in the case of coordination and support actions, may reach a maximum 7% of the direct eligible costs, excluding the direct eligible costs for subcontracting and the costs of resources made available by third parties which are not used on the premises of the beneficiary.

(****) Including research for the benefit of specific groups (in particular SMEs)

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**One project = One rate for research actions**

- For all beneficiaries and activities in the grant.
- Defined in the Work Programme:
  - Up to 100% of the eligible costs for research actions;
  - Up to 70% for innovation actions (exception for non-profit organisations – up to 100%).

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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)

**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

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**Simplified FLAT RATE for indirect costs**

Simplifying project management and removing recurrent errors.

- 60% ?
- 20% ?
- Real ?
- Simplified?

Single model: 25% Flat Rate

Disclaimer: Information not legally binding
# Budget categories and Forms of costs

<table>
<thead>
<tr>
<th>FORMS OF COSTS</th>
<th>BUDGET CATEGORIES</th>
<th>DIRECT COSTS</th>
<th>INDIRECT COSTS</th>
<th>SPECIFIC CATEGORIES OF COSTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual costs</td>
<td></td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Unit costs</td>
<td>Yes for</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td></td>
<td>- Average personnel costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- SME owners &amp; natural persons without a salary</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flat-rate costs</td>
<td>✗</td>
<td>✗</td>
<td>✗</td>
<td>✗</td>
</tr>
<tr>
<td>Lump sum costs</td>
<td>✗</td>
<td>✗</td>
<td>✗</td>
<td>✗</td>
</tr>
</tbody>
</table>

- **Yes if foreseen by Comm. Decision**
### Budget categories: budget transfers

<table>
<thead>
<tr>
<th>Budget transfers and re-allocation</th>
<th>Amendment needed?</th>
</tr>
</thead>
<tbody>
<tr>
<td>From one beneficiary to another</td>
<td><strong>NO</strong></td>
</tr>
<tr>
<td>From one budget category to another</td>
<td><strong>NO</strong></td>
</tr>
<tr>
<td>Re-allocation of Annex 1 tasks</td>
<td><strong>YES</strong></td>
</tr>
<tr>
<td>Transfers between forms of costs (actual costs, unit costs, etc.)</td>
<td><strong>YES</strong> if no budget was foreseen for the &quot;form&quot; receiving the transfer</td>
</tr>
<tr>
<td>New subcontracts</td>
<td><strong>YES (strongly advised)</strong></td>
</tr>
</tbody>
</table>

Disclaimer: Information not legally binding
## Budget categories: budget transfers

<table>
<thead>
<tr>
<th>Form of costs****</th>
<th>Actual</th>
<th>Unit ①</th>
<th>Unit ②</th>
<th>Actual</th>
<th>Actual</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>XX EUR/hour</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a)</td>
<td>Total (b)</td>
<td>No hours</td>
<td>Total (c)</td>
<td>(d)</td>
<td>(e)</td>
<td>(f)</td>
</tr>
<tr>
<td>Beneficiary 1</td>
<td>500.000</td>
<td>0</td>
<td>100</td>
<td>3.213</td>
<td>150.000</td>
<td>0</td>
</tr>
<tr>
<td>Beneficiary 2</td>
<td>0</td>
<td>300.000</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

### Estimated eligible* costs (per budget category)

<table>
<thead>
<tr>
<th>A.1 Personnel</th>
<th>A.2 Natural persons under direct contract</th>
<th>A.3 Seconded persons</th>
<th>A.4 SME owners without salary</th>
<th>A.5 Beneficiaries that are natural persons without salary</th>
<th>B. Direct costs of subcontracting</th>
<th>[C. Direct costs of fin. support]</th>
<th>D. Other direct costs</th>
</tr>
</thead>
</table>

**Beneficiary 1**

- **Personnel**: 500,000
- **Total (b)**: 0
- **No hours**: 100
- **Total (c)**: 3,213
- **Total (b)**: 150,000
- **Total (c)**: 0

**Beneficiary 2**

- **Personnel**: 0
- **Equipment**: 300,000
- **No hours**: 0
- **Total (c)**: 0
- **Total (c)**: 0
- **Total (c)**: 125,000

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**Notes**:
- **Unit ①**: Actual
- **Unit ②**: Actual
**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

<table>
<thead>
<tr>
<th></th>
<th>Time-to-Pay</th>
<th>From</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>One Pre-financing</strong></td>
<td>30 days</td>
<td>From: entry into force or 10 days before the starting date (whichever is the latest)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>→ Retention 5% of maximum grant for the Guarantee Fund</td>
</tr>
<tr>
<td><strong>Interim Payments</strong></td>
<td>90 days</td>
<td>From reception of periodic report</td>
</tr>
<tr>
<td></td>
<td></td>
<td>→ Based on financial statements (EU contribution= eligible costs approved * reimbursement rate)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>→ Limit = 90% of the maximum grant (Retention 10%)</td>
</tr>
<tr>
<td><strong>Payment of the Balance</strong></td>
<td>90 days</td>
<td>From reception of final reports</td>
</tr>
</tbody>
</table>
THIRD PARTIES: carrying out work in the action

- **Beneficiary**
  - **Linked third parties**
    - Affiliated entities
    - Third parties with a legal link
  - **Subcontractors**

- **New**: COM or Agency may request them to accept joint and several liability for their EU contribution

- Similar to FP7 Special Clause 10
- Must be identified in the GA
- Same cost eligibility criteria than beneficiaries

- **Article 14** MGA

Dispaly: Information not legally binding
THIRD PARTIES: carrying out work in the action

- **Beneficiary**
  - **Linked third parties**
    - Affiliated entities
    - Third parties with a legal link
  - Subcontractors

- **Ensure best value for money and avoid any conflict of interests**

- **Estimated costs and tasks must be identified in the budget and Annex 1**

- **NEW**: if not identified in Annex 1, Commission may still approve them (beneficiary bears the risk of rejection)

- **Article 13** MGA

Disclaimer: Information not legally binding
Third Parties: Others

Beneficiary

Contracts necessary for the implementation

- For the purchase of goods, works or services
- Ensure best value for money and avoid any conflict of interests
  - Article 10 MGA

Contributions in kind

- Free of charge or against payment are eligible costs if they meet the eligibility conditions
- 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)
  - Articles 11 & 12 MGA

Disclaimer: Information not legally binding
<table>
<thead>
<tr>
<th><strong>Article 10</strong></th>
<th><strong>Contract to purchase goods, works or services</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>These contracts do not cover the implementation of action tasks, but they are necessary to implement action tasks by beneficiaries.</td>
<td></td>
</tr>
<tr>
<td>Do not have to be indicated in Annex 1.</td>
<td></td>
</tr>
<tr>
<td>The price for these contracts will be declared as ‘other direct costs’ — column D in Annex 2 — in the financial statement; they will be taken into account for the application of the flat-rate for indirect costs.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Article 13</strong></th>
<th><strong>Subcontracts</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Subcontracts concern the implementation of action tasks; they imply the implementation of specific tasks which are part of the action and are described in Annex 1.</td>
<td></td>
</tr>
<tr>
<td>Must be indicated in Annex 1.</td>
<td></td>
</tr>
<tr>
<td>The price for the subcontracts will be declared as ‘direct costs of subcontracting’ — column B in Annex 2 — in the financial statement; they will not be taken into account for the application of the flat-rate for indirect costs.</td>
<td></td>
</tr>
</tbody>
</table>
### Articles 10 & 13

**Contracts and subcontracts**

The beneficiaries have a contractual link with contractors or subcontractors having as their object the purchase of goods, works or services or the implementation of specific action tasks.

The eligible costs are the prices charged to the beneficiary by the contractors or subcontractors (usually containing a profit margin for the contractors or subcontractors but not for the beneficiary).

The beneficiary must award the contracts and subcontracts on the basis of best value for money (or lowest price) and absence of conflict of interests.

### Article 14

**Implementation by linked third parties**

The beneficiaries have a legal link with the linked third parties not limited to the action and not based on a contract for the purchase of goods, works or services or the implementation of specific action tasks.

The eligible costs are only the costs of the linked third party, no profit is allowed (neither for the linked third party nor for the beneficiary).

The linked third parties have to be affiliates to a beneficiary or must have a legal link (as explained in Article 14) with the beneficiary.
<table>
<thead>
<tr>
<th>Article 10</th>
<th>Article 11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contracts</td>
<td>In-kind contributions against payment</td>
</tr>
</tbody>
</table>

**Contractors act as economic operators selling to the beneficiary goods, works or services that are necessary for the action.**

**Third parties contributing in-kind make available some of their resources to a beneficiary without this being their economic activity (i.e. seconding personnel, contributing equipment, infrastructure or other assets, or other goods and services).**

**The eligible costs are the prices charged to the beneficiary by the contractors or subcontractors (usually containing a profit margin for the contractors or subcontractors but not for the beneficiary).**

**The eligible costs are the amounts that the beneficiary pays to the contributors according to their agreements, within the limit of the third party’s costs (the amounts to be paid to the contributors usually exclude a profit margin but if they do, the profit margin is not eligible).**
Financial support to THIRD PARTIES

- **'Cascading grants'**: Equivalent to FP7 Special Clause 42
- **Prizes**: awarded by the beneficiary as part of the action
- Option to be used **ONLY** if foreseen in the Work Programme
- Conditions set out in Annex 1
- **Article 15** MGA

Disclaimer: Information not legally binding
6.1 General conditions for costs to be eligible

‘Eligible costs’ are costs that meet the following criteria:

(a) for actual costs:

(i) they must be actually incurred by the beneficiary;

(ii) they must be incurred in the period set out in Article 3, with the exception of costs relating to the submission of the periodic report for the last reporting period and the final report (see Article 20);

(iii) they must be indicated in the estimated budget set out in Annex 2;

(iv) they must be incurred in connection with the action as described in Annex 1 and necessary for its implementation;

(v) they must be identifiable and verifiable, in particular recorded in the beneficiary’s accounts in accordance with the accounting standards applicable in the country where the beneficiary is established and with the beneficiary’s usual cost accounting practices;

(vi) they must comply with the applicable national law on taxes, labour and social security, and

(vii) they must be reasonable, justified and must comply with the principle of sound financial management, in particular regarding economy and efficiency;
6.2 Specific conditions for costs to be eligible

Costs are eligible if they comply with the general conditions (see above) and the specific conditions set out below for each of the following budget categories:

A. direct personnel costs;
B. direct costs of subcontracting;
C. [OPTION to be used if Article 15 applies: direct costs of providing financial support to third parties;] [OPTION: not applicable;]
D. other direct costs;
E. indirect costs;
F. [OPTION for specific unit[/lump sum] costs: [insert name(s) of specific cost category(ies)\textsuperscript{16}].]

‘Direct costs’ are costs that are directly linked to the action implementation and can therefore be attributed to it directly. They must not include any indirect costs (see Point E below).

‘Indirect costs’ are costs that are not directly linked to the action implementation and therefore cannot be attributed directly to it.
PERSONNEL COSTS: novelties

✔ **Less requirements for time records**

*Example: No time records for researchers working exclusively on the project.*

✔ **Wider acceptance of average personnel costs**

*Broadening the acceptance of usual cost accounting practices (including cost-centre approaches) as unit costs.*

✔ **Acceptance of additional remuneration**

→ *Limited to non-profit legal entities*

→ *Up to 8000 Euro/year/person working full-time exclusively in the action*

→ *Subject to specific conditions*

Disclaimer: Information not legally binding
**PERSONNEL COSTS: overview**

**CALCULATING PERSONNEL COSTS**

**ACTUAL PERSONNEL COSTS**
Calculation method defined in the model GA

**UNIT COSTS**
- Calculated by the beneficiary in accordance to its usual accounting practices
  (Average personnel costs)
- Fixed by the Commission for the owners of SME beneficiaries without a salary and natural persons without a salary

Disclaimer: Information not legally binding
Actual personnel costs: structure

TOTAL REMUNERATION

Standard remuneration

"Mandatory extras"
- Fixed by law or by contract to remunerate the main activity of the employee
- Payment not subject to discretion by the employer
- Not linked to a specific project
Examples: 13th month, hazardous work allowance, etc.

Additional remuneration

Other bonuses
- Only eligible for non-profit legal entities
- Subject to specific eligibility criteria
- Maybe triggered by the participation in a specific project

Basic Salary

Hourly rate

Disclaimer: Information not legally binding
Actual personnel costs: calculation - I

Actual Personnel Cost =

\[ \text{Hours worked for the project} \times \text{Hourly rate} \]

where

\[ \text{Hourly rate} = \frac{\text{Annual personnel costs}}{\text{Annual productive hours}} \]

- The hourly rate is to be calculated per financial year.
- If the financial year is not closed at the time of reporting, the beneficiary must use the last closed financial year available.
Hourly rates of 2015 will also be used for these months.

ADVANTAGES FOR THE BENEFICIARIES

- NO ADJUSTMENTS TO BE DECLARED IN THE NEXT PERIOD
- LEGAL CERTAINTY: NO DOUBTS ABOUT WHAT PERIOD AND WHAT DATA MUST BE USED FOR THE CALCULATION
- REMOVES ERRORS DUE TO INCORRECT CALCULATIONS FOR FRACTIONS OF A YEAR
Actual personnel costs: *annual productive hours*

**1720 hours**

**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 workable hours

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D. Other Direct cost

D1. Travel costs and related subsistence allowances
D2. Depreciation costs of equipment, infrastructure or other asset
D3. Costs of other goods and services
[D4. Capitalised and operating costs of large research infrastructure]

E. Indirect costs

F. [option for unit costs]
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:

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

Income generated from the sale of assets purchased in the GA

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 ≤ 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**

<table>
<thead>
<tr>
<th>EXAMPLE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Maximum grant amount</strong></td>
</tr>
<tr>
<td>200</td>
</tr>
</tbody>
</table>

**Step 1**
Total approved eligible costs $ \times$ reimbursement rate

\[ 220 \times 100\% = 220 \]

**Step 2**
The lower between Step 1 and the maximum amount of the grant

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)

Lower between \((190; (200 - 20)) \Rightarrow Lower between (190; 180) = 180 \]
Controls and audits: ex-ante

Financial viability

- Most beneficiaries exempt from detailed analysis; only systematic check for coordinators when requested EU funding for the action is ≥ 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 ≥ 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

Disclaimer: Information not legally binding
Consortium Agreement (CA)

- CA is mandatory unless otherwise specified in the work programme
  
  Article 41.3 of the H2020 Model Grant Agreement

- Characteristics
  
  • *It is a private agreement between the beneficiaries and does not involve the EC (which, however, provides guidance).*
  
  • *Deals with the rights and obligations of the beneficiaries amongst themselves.*
    
    Examples: internal organisation, distribution of EU funding, additional rules on IPR, settlement of disputes, etc.
  
  • *In principle to be concluded before signing the Grant Agreement*
ADDITIONAL INFO:

Participant Portal
At: http://ec.europa.eu/research/participants/portal/desktop/en/home.html

- Horizon 2020 Annotated Grant Agreement

- 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
Thank you for your attention!

Find out more: http://ec.europa.eu/programmes/horizon2020/