

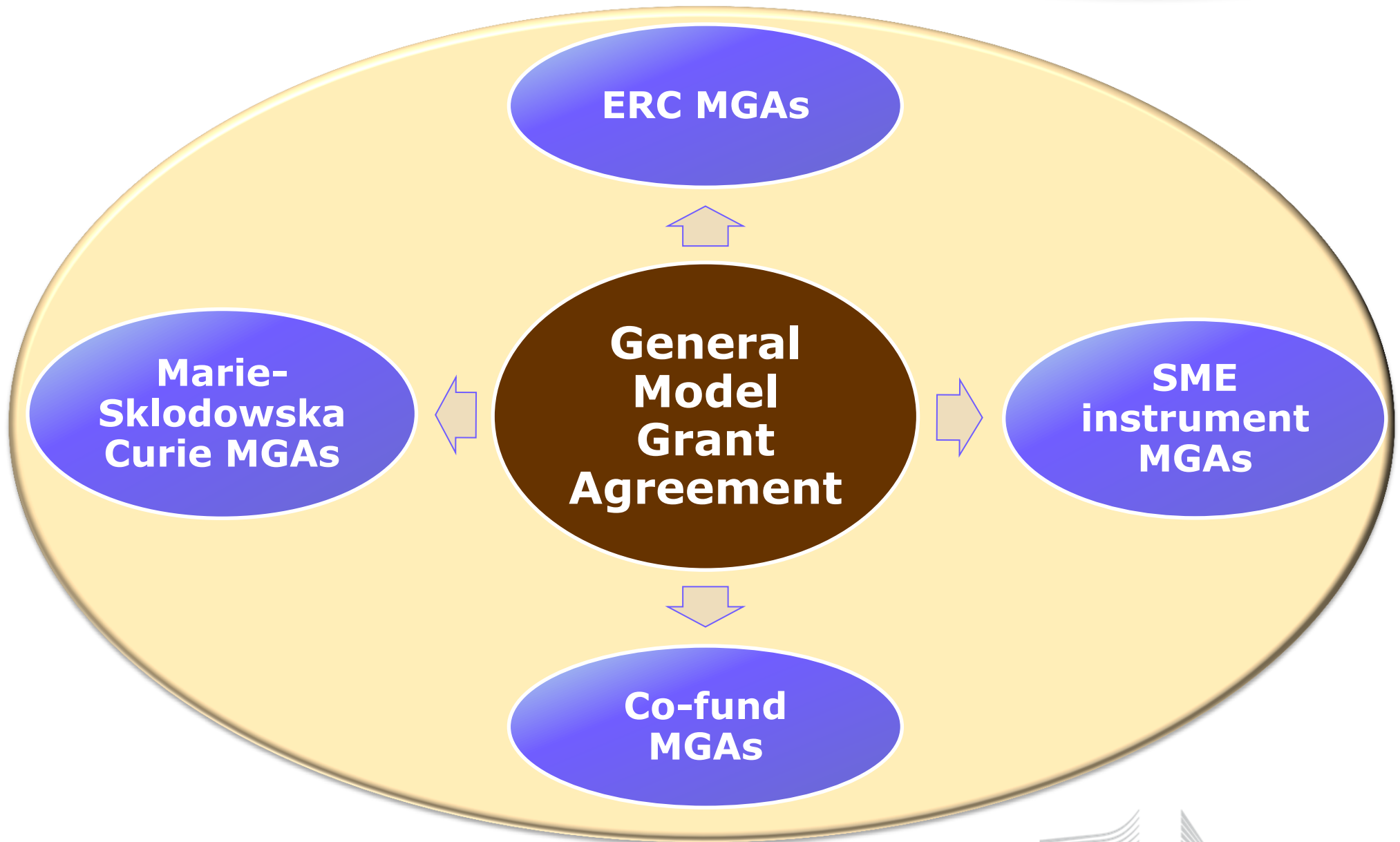


HORIZON 2020

Model Grant Agreement LEGAL AND FINANCIAL ISSUES

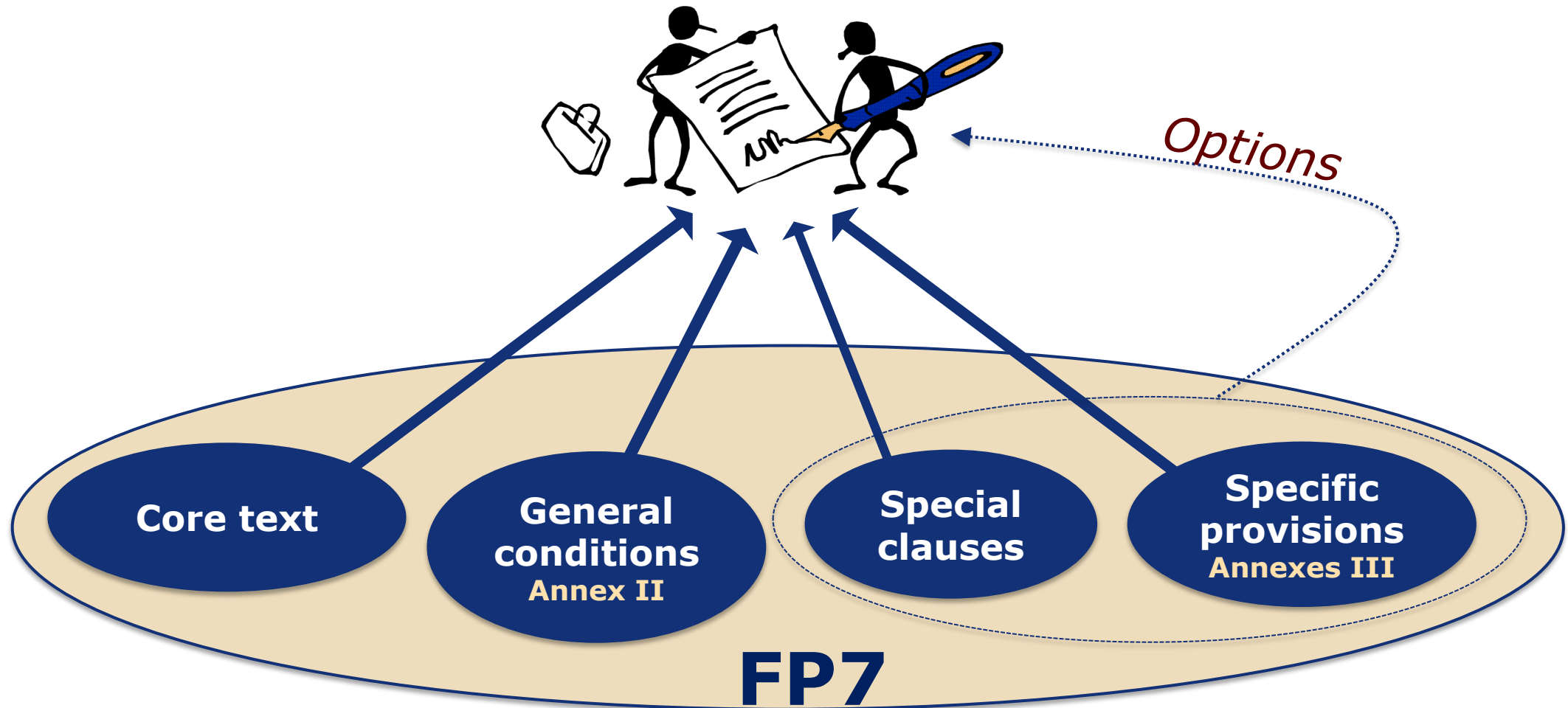
Horizon 2020 model Grant Agreement:

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**

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

Annex 4: **Financial statements**

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

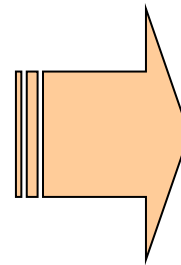
Annex 6: **Certificate on the methodology**

Reimbursement rate



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

Maximum reimbursement rates	Research and technological development activities (*)	Demonstration activities	Other activities
Network of excellence	50% 75% (**)		100%
Collaborative project(***)	50% 75% (**)	50%	100%
Coordination and support action			100% (***)



- ✓ 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%).

(*) 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)

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

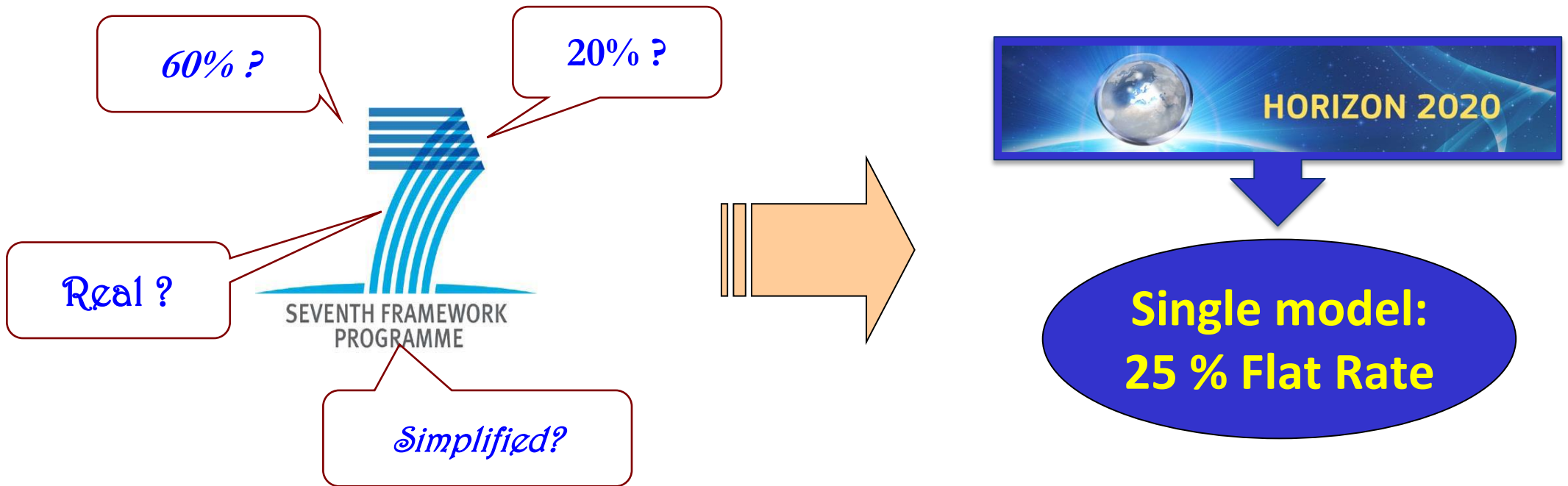
- A global amount to cover one or several cost categories
Example: Phase 1 of the SME instrument

Flat rate

- A percentage to be calculated on the eligible costs

Single FLAT RATE for indirect costs

Simplifying project management and removing recurrent errors.



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	✗	✗	✗	✗	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 no budget was foreseen for the "form" receiving the transfer
New subcontracts	YES (strongly advised)

Budget categories: budget transfers

Estimated eligible* costs (per budget category)							
A. Direct personnel costs				B. Direct costs of subcontracting	[C. Direct costs of fin. support]	D. Other direct costs	
A.1 Personnel A.2 Natural persons under direct contract A.3 Seconded persons [A.6 Personnel for providing access to research infrastructure]		A.4 SME owners without salary A.5 Beneficiaries that are natural persons without salary				D.1 Travel D.2 Equipment D.3 Other goods and services D.4 Costs of large research infrastructure	
Form of costs****	Actual	Unit ①	Unit ②		Actual	Actual	Actual
			XX EUR/hour				
	(a)	Total (b)	No hours	Total (c)	(d)	(e)	(f)
Beneficiary 1	500.000	0	100	3.213	150.000	0	325.000
Beneficiary 2	0	300.000	0	0	0	0	125.000

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**

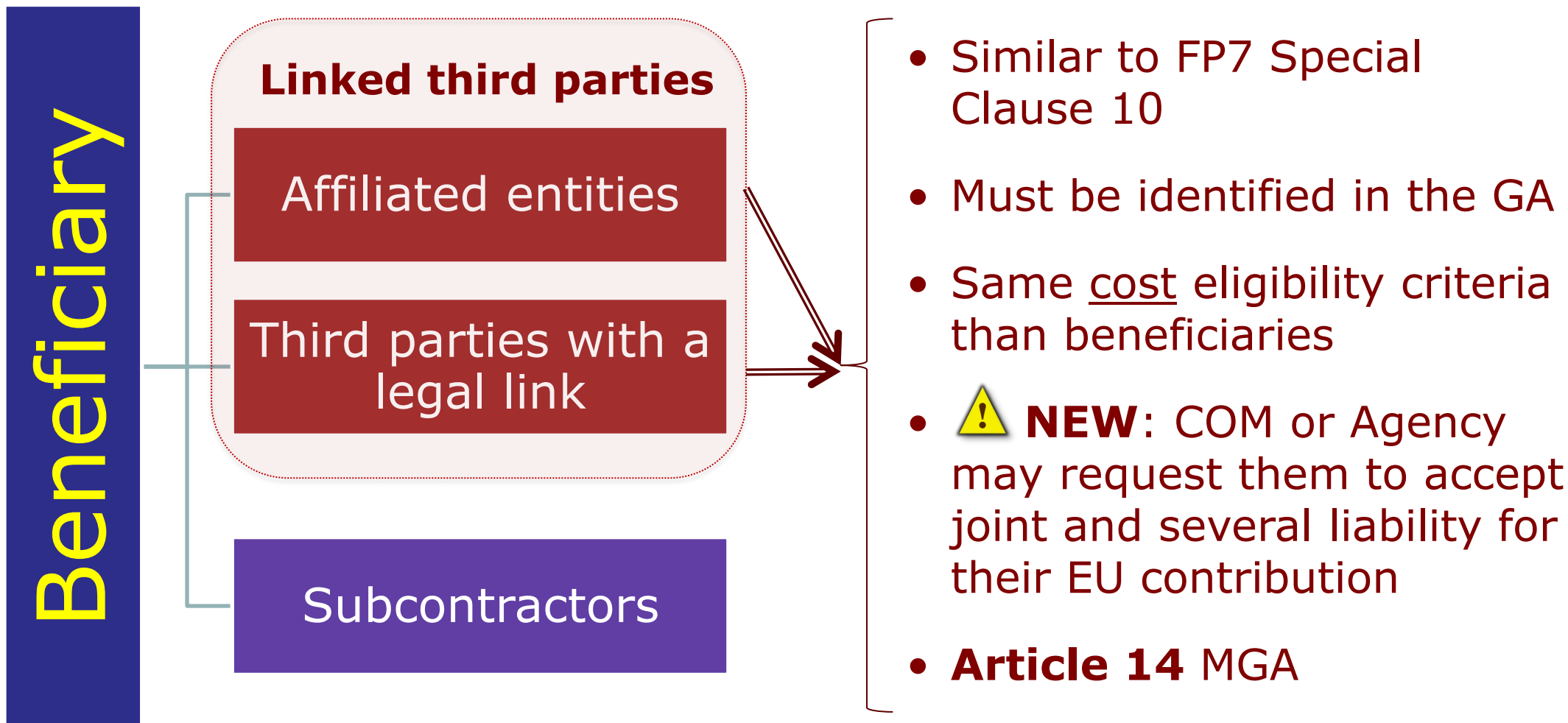
↳ **General rule:** later than the date of entry into force

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

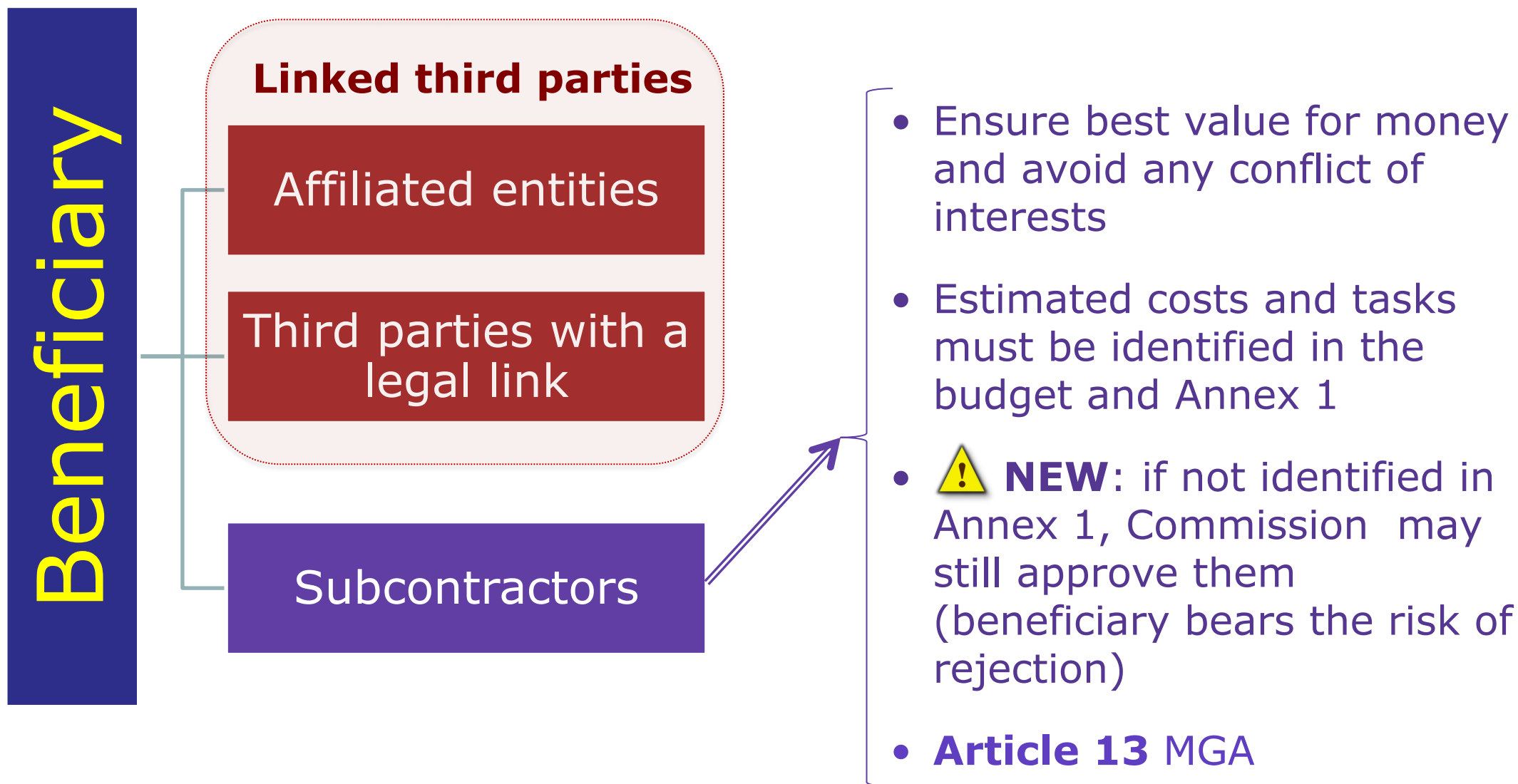
Payments

	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 * reimbursement rate)		
→ Limit = 90 % of the maximum grant (Retention 10%)		
Payment of the Balance	90 days	From reception of final reports

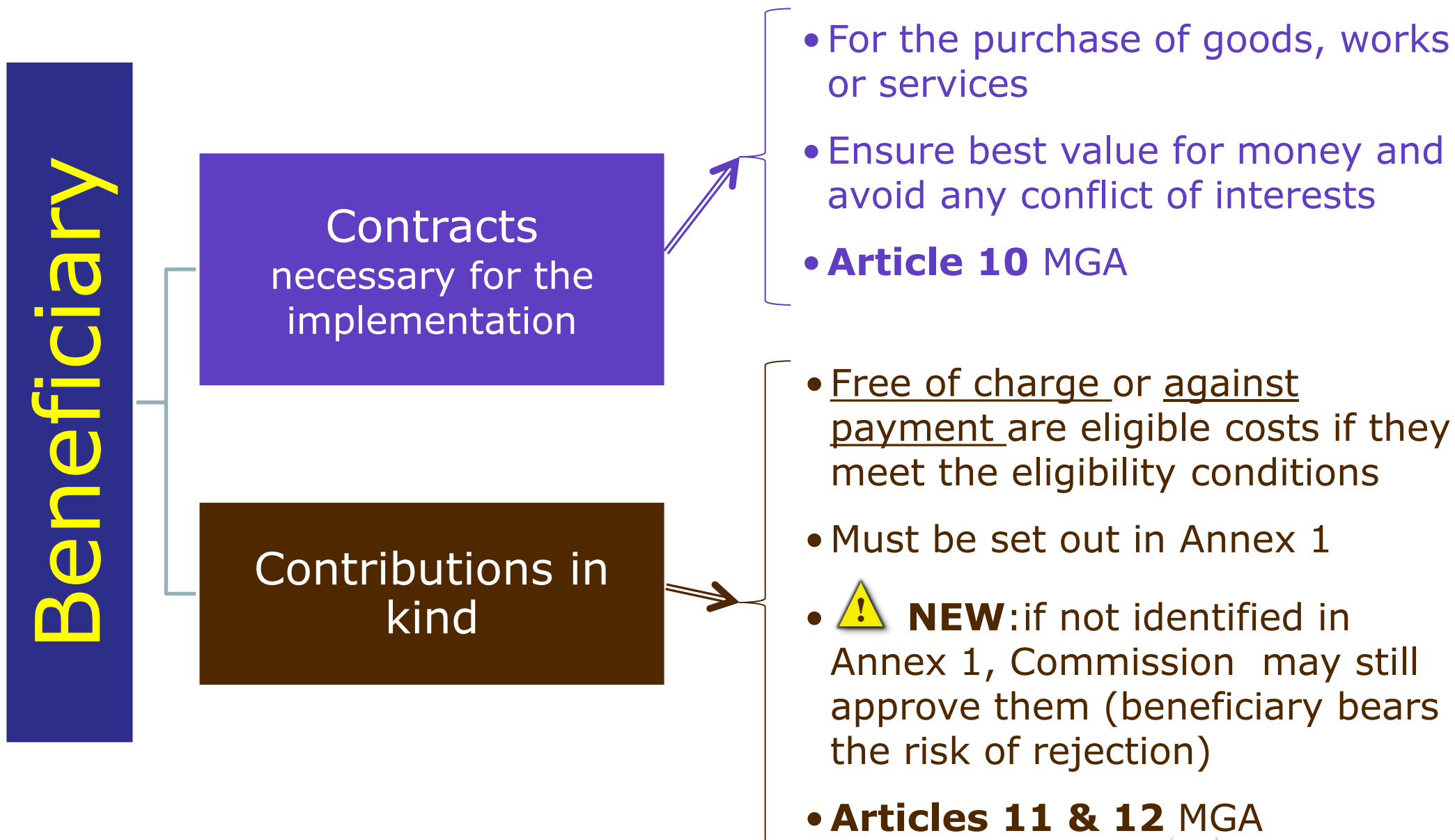
THIRD PARTIES: carrying out work in the action



THIRD PARTIES: carrying out work in the action



THIRD PARTIES: others



THIRD PARTIES: others

Article 10 Contracts to purchase goods, works or services	Article 13 Subcontracts
These contracts do not cover the implementation of action tasks, but they are necessary to implement action tasks by beneficiaries.	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.
Do not have to be indicated in Annex 1.	Must be indicated in Annex 1.
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.	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.

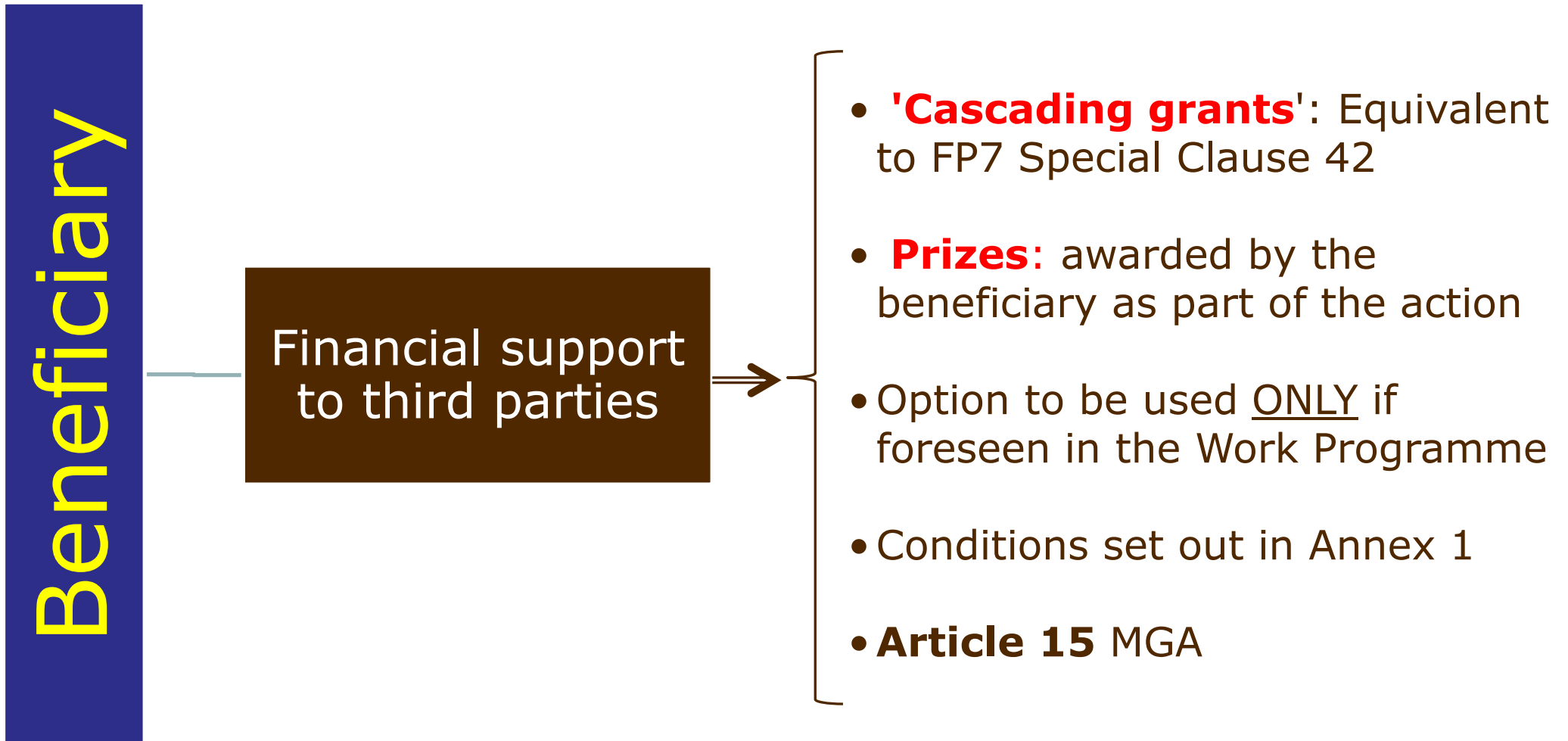
THIRD PARTIES: others

Articles 10 & 13 Contracts and subcontracts	Article 14 Implementation by linked third parties
The beneficiaries have a contractual link with contractors or subcontractors having as their object the purchase goods, works or services or the implementation of specific action tasks.	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 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 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 beneficiary must award the contracts and subcontracts on the basis of best value for money (or lowest price) and absence of conflict of interests.	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.

THIRD PARTIES: others

Article 10 Contracts	Article 11 In-kind contributions against payment
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**



Eligible and ineligible costs

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;

Eligible and ineligible costs

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)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*



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

Actual personnel costs: structure

TOTAL REMUNERATION

Standard remuneration

Basic Salary



"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



Hourly rate

Actual personnel costs: calculation - I

$$\text{Actual Personnel Cost} = \text{Hours worked for the project} \times \text{Hourly rate}$$

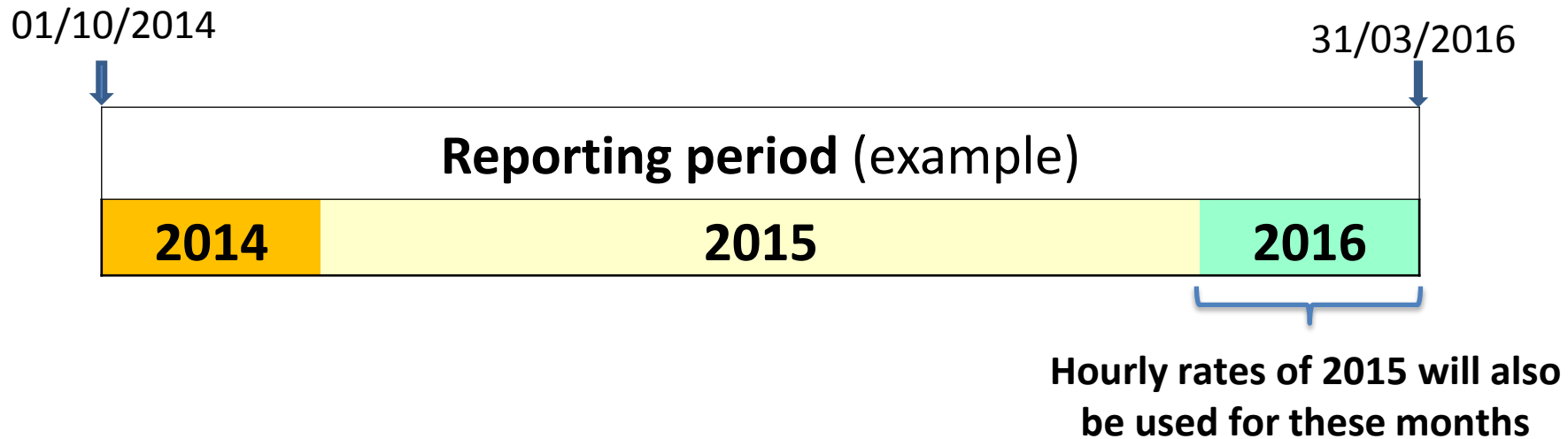
where

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

- 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.

Actual personnel costs: calculation - II

Use of the last closed financial year



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

Eligible and ineligible costs

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:

<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 \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

Consortium Agreement (CA)

- **CA is mandatory unless otherwise specified in the work programme**

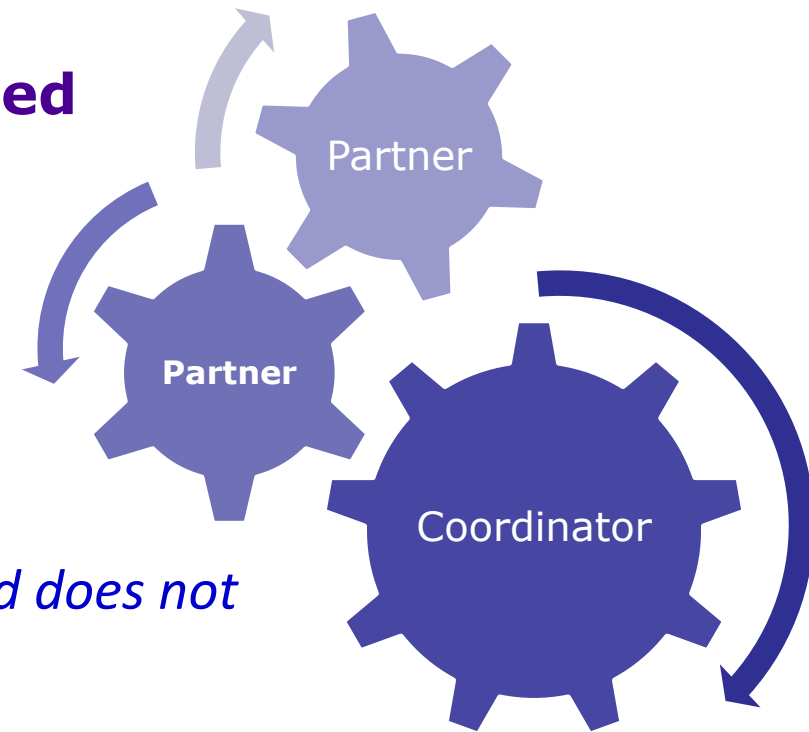
Article 41.3 of the H2020 Model Grant Agreement

- **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

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/>