H2020 Eligible Costs and Practical Issues of Proposal Budget Preparation

3rd SEREN3 NCP Training

Athens 23 November 2016

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Proposal Budget in H2020

Importance of appropriate Budget estimation and distribution:

- Evaluation criteria: “…appropriateness of the allocation of tasks & resources.”
- Demonstrates clear vision of tasks and objectives (budget should be structured according to Project’s needs)
- Reduces the risk that costs may be found ineligible during the report/audit. Usually, eligibility of costs is overlooked during proposal preparation
- Minimizes potential changes during the project’s implementation (amendments, re-distribution of costs between partners, request for EC’s approval, …)
- Allows for proper budget consumption without deviations during implementation demonstrating that the budget requested was necessary
3. Quality and efficiency of the implementation*

Note: The following aspects will be taken into account:

- Coherence and effectiveness of the work plan, including appropriateness of the allocation of tasks and resources;
- Complementarity of the participants within the consortium (when relevant);
- Appropriateness of the management structures and procedures, including risk and innovation management.

Comments:

Score 3: Threshold 3/5
3.4 Resources to be committed

⚠️ Please make sure the information in this section matches the costs as stated in the budget table in section 3 of the administrative proposal forms, and the number of person/months, shown in the detailed work package descriptions.

Please provide the following:

- a table showing number of person/months required (table 3.4a)
- a table showing ‘other direct costs’ (table 3.4b) for participants where those costs exceed 15% of the personnel costs (according to the budget table in section 3 of the administrative proposal forms)
Proposal Budget in H2020

Table 3.4a: Summary of staff effort

Please indicate the number of person/months over the whole duration of the planned work, for each work package, for each participant. Identify the work-package leader for each WP by showing the relevant person-month figure in bold.

<table>
<thead>
<tr>
<th>Participant Number/Short Name</th>
<th>WPn</th>
<th>WPn+1</th>
<th>WPn+2</th>
<th>Total Person/Months per Participant</th>
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<tr>
<td>Total Person/Months</td>
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</tbody>
</table>
Table 3.4b: ‘Other direct cost’ items (travel, equipment, other goods and services, large research infrastructure)

Please complete the table below for each participant if the sum of the costs for ‘travel’, ‘equipment’, and ‘goods and services’ exceeds 15% of the personnel costs for that participant (according to the budget table in section 3 of the proposal administrative forms).

<table>
<thead>
<tr>
<th>Participant Number/Short Name</th>
<th>Cost (£)</th>
<th>Justification</th>
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<tbody>
<tr>
<td>Travel</td>
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<tr>
<td>Equipment</td>
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<tr>
<td>Other goods and services</td>
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</tr>
<tr>
<td>Total</td>
<td></td>
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</tbody>
</table>
Proposal Budget in H2020

Please complete the table below for all participants that would like to declare costs of large research infrastructure under Article 6.2 of the General Model Agreement, irrespective of the percentage of personnel costs. Please indicate (in the justification) if the beneficiary’s methodology for declaring the costs for large research infrastructure has already been positively assessed by the Commission.

<table>
<thead>
<tr>
<th>Participant Number/Short Name</th>
<th>Cost (€)</th>
<th>Justification</th>
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<tbody>
<tr>
<td>Large research infrastructure</td>
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6 Large research infrastructure means research infrastructure of a total value of at least EUR 20 million, for a beneficiary. More information and further guidance on the direct costing for the large research infrastructure is available in the H2020 Online Manual on the Participant Portal.
4.2. Third parties involved in the project (including use of third party resources).

Please complete, for each participant, the following table (or simply state "No third parties involved", if applicable):

<table>
<thead>
<tr>
<th>Does the participant plan to subcontract certain tasks (please note that core tasks of the project should not be sub-contracted)</th>
<th>Y/N</th>
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<tr>
<td>If yes, please describe and justify the tasks to be subcontracted</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Does the participant envisage that part of its work is performed by linked third parties(^1)</th>
<th>Y/N</th>
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</thead>
<tbody>
<tr>
<td>If yes, please describe the third party, the link of the participant to the third party, and describe and justify the foreseen tasks to be performed by the third party</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Does the participant envisage the use of contributions in kind provided by third parties (Articles 11 and 12 of the General Model Grant Agreement)</th>
<th>Y/N</th>
</tr>
</thead>
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<tr>
<td>If yes, please describe the third party and their contributions</td>
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\(^1\) A third party that is an affiliated entity or has a legal link to a participant implying a collaboration not limited to the action. (Article 14 of the Model Grant Agreement).
### Research and Innovation actions

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<tr>
<th>No</th>
<th>Participant</th>
<th>Country</th>
<th>(A) Direct personnel costs €</th>
<th>(B) Other direct costs €</th>
<th>(C) Direct costs of sub-contracting €</th>
<th>(D) Direct costs of providing financial support to third parties €</th>
<th>(E) Costs of in-kind contributions not used on the beneficiary’s premises €</th>
<th>(F) Indirect Costs / € (0.25 x A+B+E)</th>
<th>(G) Special unit costs covering direct &amp; indirect costs / €</th>
<th>(H) Total estimated eligible costs / € (A+B+C+D+E+F+G)</th>
<th>(I) Reimbursement rate (%)</th>
<th>(J) Max EU Contribution / € (=H*100)</th>
<th>(K) Requested EU Contribution / €</th>
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### Innovation actions

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<th>(B) Other direct costs €</th>
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Proposal Budget in H2020

Budget table in Part A (stage 1 of a two-stage proposals)
Budget key points

Important points for Evaluation

• Allocation of resources according to the scope of the proposal (not over/under estimated)
• Significant imbalances between partners should be justified by their individual roles
• No unjustified costs for subcontracting
• Participation of 3rd parties under the suitable scheme
• Suitable effort foreseen for coordination/management
• No ambiguous/unclear points
# Proposal Budget in H2020

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### Proposal Budget in H2020

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<th>(E) Costs of in-kind contributions not used on the beneficiary’s premises</th>
<th>(F) Indirect costs (=$0.25 \times (A+B+E))</th>
<th>(G) Special unit costs covering direct &amp; indirect costs</th>
<th>(H) Total estimated eligible costs (A+B+C+D+E+G)</th>
<th>(I) Reimbursement rate</th>
<th>(J) Max. grant (=H*I)</th>
<th>(K) Requested grant</th>
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<tbody>
<tr>
<td>1 Partner 1</td>
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<td>157,500.00</td>
<td>105,500.00</td>
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<td>7 Partner 7</td>
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<td>16,300.00</td>
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<td>57,732.50</td>
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<td>8 Partner 8</td>
<td></td>
<td>81,900.00</td>
<td>12,200.00</td>
<td>6,000.00</td>
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<td>23,525.00</td>
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<tr>
<td>9 Partner 9</td>
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<td></td>
<td>17,300.00</td>
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<td>100%</td>
<td>1,208,132.50</td>
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<td></td>
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</tbody>
</table>
Proposal Budget in H2020

A. Direct personnel costs
B. Other direct costs
   - Travel
   - Equipment
   - Other goods & services
   - Large Research Infrastructure
C. Subcontracting
D. Financial support to 3rd parties
E. In-kind contributions not used in the beneficiary’s premises
F. Indirect costs
G. Special Unit costs
H. Total costs
I. Reimbursement rate
J. Maximum EU contribution
K. Requested EU contribution
Eligible costs

Costs must be...

• Actually incurred by the beneficiary AND in the period of implementation
• Indicated in the estimated budget
• In connection with the action as described in Annex 1
• They must be identifiable and verifiable and recorded in the beneficiary’s accounts
• Comply with the applicable national law on taxes, labour and social security
• Reasonable and justified

Costs approved in proposal budget NOT automatically eligible during report/audit:

► Evaluators approve the NECESSITY for the activity and the related cost
► ELIGIBILITY of the cost is determined on the basis of the procedures followed for the realisation of the cost (modalities of implementation)
A. Direct personnel costs

- Related to personnel working for the beneficiary under an employment contract (or equivalent appointing act) and assigned to the action

- Limited to salaries (including during parental leave), social security contributions, taxes and other costs included in the remuneration, if they arise from national law or the employment contract
A. Direct personnel costs

Kinds of personnel

1. Employees (both permanent staff and temporary

2. Personnel seconded by a third party against payment

3. Natural persons working under a direct contract

4. SMEs owners not receiving a salary / natural persons participating as beneficiaries
1. Employees

Calculation of personnel costs (during REPORTING)

[Hourly rate]  
\( \times \)  
[number of actual hours worked on the action]

• Step 1
Calculation of the hourly rate:
Hourly rate = [Actual annual person’s cost] / [Annual productive hours]

• Step 2
\( \times \) number of actual hours worked on the action

• Step 3
For non-profit legal entities: Addition of additional remuneration, if any

3rd SEREN3 NCP Training, Athens 23/11/2016
1. Employees

Step 1
Calculation of the hourly rate

The hourly rate must be calculated either:

• Per financial year and on the basis of closed financial years:

\[
\frac{\text{[Actual annual personnel costs (excluding additional rem.) for the person]}}{\text{[Number of annual productive hours]}}
\]

OR

• Per month on the basis of the current financial year:

\[
\frac{\text{[Actual monthly personnel cost (excluding additional rem.) for the person]}}{\text{[number of annual productive hours / 12]}}
\]

No adjustment to previous reported hourly rate costs in order to adjust to ACTUAL costs (allowed only to correct mistakes)
1. Employees

Example – use of last closed financial year

Report of 18 months spreading over 3 consecutive years

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
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<td>Trimester</td>
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<td>1</td>
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<td>4</td>
<td>1</td>
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<td>Reporting</td>
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<td>period</td>
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<tr>
<td>Hourly</td>
<td>2014</td>
<td>2015</td>
<td></td>
</tr>
<tr>
<td>rate used</td>
<td></td>
<td></td>
<td>2015</td>
</tr>
</tbody>
</table>
1. Employees

Annual productive hours

Must use one of the following options:

1. 1,720 hours for persons working full time (or corresponding pro-rata for persons not working full time)

2. the total number of hours worked by the person in the year for the beneficiary (‘individual annual productive hours’)

3. the ‘standard number of annual hours’ generally applied by the beneficiary for its personnel in accordance with its usual cost accounting practices (‘standard annual productive hours’).

• Same option per group of personnel employed under similar conditions (no individual application)

Q: Organisations using 1.680 on FP7 projects?
1. Employees

Step 2
Multiplying the hourly rate by the number of actual hours worked on the action

Step 3
For non-profit legal entities: Addition of additional remuneration, if any
1. Employees

Additional remuneration

• Only for non-profit legal entities, IF:
  • Part of the beneficiary’s usual remuneration practices
  • Paid in a consistent manner whenever the same kind of work or expertise is required
  • Paid for additional work or expertise which results in higher hourly rate
  • Criteria objective and generally applied by the beneficiary
  • System established in the beneficiary’s internal rules or at least be documented
  • Rules for additional remuneration may not depend on the fund provider.

• Eligible up to the amount of **8.000 per year**
  • Or PRO-RATA if not working full time or not working exclusively on the action

• Limit of 8.000 will also be applied to the basic salary if artificially increased for participation in the EU action
1. Employees

Salary complement or supplementary contract resulting in a higher hourly rate

Is it triggered by a specific project?  
(the employee would not have received the complement if it had not participated in the project)

No

Is the amount fixed and mandatory by law, collective agreement or contract?  
('arises from')

No

Is the scheme of the complement authorised by law, collective agreement or the contract?  
('arises from')

No

Ineligible

Yes

Is it triggered by the EU action?

Yes

Is it paid for additional work or different expertise than the usual ones according to the (main) contract?

No

Is the beneficiary a non-profit legal entity?

No

Has the complement increased between the award of the H2020 grant and the end of the action?

No (?)

Is the complement determined based on objective criteria established at least in the entity's internal rules?

Yes

The increase in the complement

No

Is it part of the usual remuneration practices of the entity?

Yes

Is the complement determined based on objective criteria established at least in the entity's internal rules?

Yes

Is it applied only to EU actions?

No

Additional Remuneration

Basic Remuneration
Examples of classification of various salary elements

- Social security contributions → Basic remuneration
- Taxes included in salary → Basic remuneration
- 13\textsuperscript{th} salary → Basic remuneration
- Transportation allowance fixed in the employment contract → Basic remuneration
- Bonus for participating in research projects → Additional remuneration
- Bonus for participating in EU-funded projects → Not eligible
- Extra salary triggered by additional contract to work on H2020 project based on additional working hours:
  - With the same hourly rate as that of the standard duties: → Basic remuneration
  - With higher hourly rate than that of the standard duties: → Additional remuneration
- Dividends paid to employees → Not eligible
2. Seconded personnel

Costs for personnel seconded by a 3\textsuperscript{rd} party

- MAY be eligible as personnel costs, if all the conditions for eligibility apply

- Important points:
  - The beneficiary reimburses the 3\textsuperscript{rd} party or not
  - The personnel works at the premises of the 3\textsuperscript{rd} party or the beneficiary’s
  - There must be a secondment agreement/decision
3. Natural persons under a direct contract

("in-house consultants")

Eligible as personnel costs, if all the following apply:

– Incurred/used during the action duration, necessary, linked to the action...
– There is a contract between the person and the beneficiary
– Works under the beneficiary’s instructions and, unless otherwise agreed with the beneficiary, under the beneficiary’s premises.
– The beneficiary decides, designs and supervises all work.
– The results belong to the beneficiary
– The costs are not significantly different from those for personnel performing similar tasks under an employment contract with the beneficiary
– The remuneration must be based on working hours, rather than on specific outputs/products

If NOT: Subcontracting (or Other goods & services)
3. Natural persons under a direct contract

Calculation of costs for natural persons working under a direct contract

[Hourly rate] X [Number of actual hours worked on the action]

• Calculation depends on whether the contract specifies an:
  Hourly rate:
  [Personnel cost] = [hourly rate] X [actual hours on the action]
  OR
  Fixed total amount for the services:
  [hourly rate] = [total amount] / [total contract duration]
  [Personnel cost] = [hourly rate] X [actual hours on the action]
4. SME owners / natural persons as beneficiaries

Costs for SME owners not receiving a salary AND natural persons participating as beneficiaries without a salary

- Eligible as personnel costs if conditions for eligibility apply
- Only if *not receiving a salary* but compensated through other means as dividends, service contract, etc.
- Declared as UNIT costs
- Unit cost = 55,800 € (yearly living allowance of the researcher according to MSCA Individual Fellowships) / 1.720 hours (Standard Annual Productive Hours) X country correction coefficient
- Standard Annual Productive Hours = 1.720
- Maximum declared hours of work in H2020 projects?

Q: So we can declare 1.720 hours of work for all SME owners?
A. Direct personnel costs

- Time must be recorded through a reliable **Time Recording system** (time sheets or equivalent)

- Minimum requirements: *(NEW H2020 template provided)*
  - Updated and signed at least on monthly basis
  - Project title, number
  - Beneficiary’s name
  - Person’s name, date and signature
  - Number of hours declared for the action in the period covered by the time record
  - Supervisor’s name and signature

Q: Our organisation’s time sheet is different, can we use it?
A. Direct personnel costs

Important points when structuring the budget of Personnel costs:

• Identify the tasks to be carried out by the beneficiary
• Identify the persons/researchers suitable for implementation of these tasks
  • Potential involvement of persons NOT working on the beneficiary?
  • Declare personnel on the basis of the ENTITY and not on the basis of the research team, group, company department etc they work for.
• Identify persons/researchers according to:
  • Level (manager, researcher, technician, administrative, …)
  • Employment status (permanent, temporary, natural persons with direct contract, SME owners, …)
• Consider the start date of the project
• Consider internal rules for personnel costs when participating in H2020 projects
• Estimate their effort in the project (PersonMonths, PMs).
• Identify the average monthly rate of the specific persons according to the organisation’s usual practices
• Estimate Personnel costs according to the above

Q: What if Actual PMs deviate from Planned PMs?
B. Other Direct costs

**Travel & Subsistence**

- Travel and subsistence costs for **personnel AND external experts** if described in Annex I.
- According to usual practices of the beneficiary
- No distinction between travelling **in or outside** of Europe.
- Not planned or particularly expensive travels: **MAY require approval** of PO.

**Exceptions to the rule of “within the duration of the project”**

**Q: Costs for participating in a scientific conference?**

**Q: Is 1st class ticket never allowed?**

**Q: What about costs for travels which were cancelled and not realized?**

**Q: What about travels for review meetings AFTER the end of project?**
B. Other Direct costs

Important points for the budget of Travel costs:

Estimate:

• Travels for Project meetings between partners (General Assembly, Steering Committee, Consortium Board, Advisory Board, WP Leaders meetings, ...)
• Travels for Project meetings with the EC (Project reviews)
• Travels for Project implementation, communication and dissemination (Visits to research sites, Conferences, Infodays, Events, Exhibitions, ...)
• Travels of external experts/collaborators
B. Other Direct costs

Depreciation costs of equipment

- Depreciated costs ≤ equipment’s purchase price
- Depreciation period ≤ equipment’s useful life
- May include costs necessary for first operation (e.g. site preparation, delivery and handling, installation, etc.)
- Only the part of the equipment’s ‘working time’ for the action may be charged (i.e. the percentage of actual use and time used for the action). (AUDITABLE)
- Costs of renting or leasing equipment, eligible if they do not exceed the depreciation costs of similar equipment

Q: What about costs for insurance of equipment?
B. Other Direct costs

Costs for other goods and services

<table>
<thead>
<tr>
<th>Example – requirement of CFS or not</th>
<th>Case 1</th>
<th>Case 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget (RIA action)</td>
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<tr>
<td>Personnel costs (actual)</td>
<td>270,000</td>
<td>250,000</td>
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<tr>
<td>Personnel costs (SME owners unit costs)</td>
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<td>80,000</td>
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<tr>
<td>Other direct costs</td>
<td>65,000</td>
<td>65,000</td>
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<tr>
<td>Indirect costs 25%</td>
<td>98,750</td>
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<tr>
<td>Total requested EU contribution</td>
<td>493,750</td>
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<tr>
<td>EU contribution requested as actual costs</td>
<td>335,000</td>
<td>315,000</td>
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</table>

Q: What is the difference with FP7?

Difference between “Other goods & services” and “Subcontracting”?
B. Other Direct costs

**Contracts to purchase goods and services**

- Not concern action tasks but necessary to implement tasks
- Not indicated in DoW
- Reported as Other direct costs
- Generate Indirect costs

**Subcontracts**

- Concern action tasks
- Must be indicated in DoW
- Reported as Subcontracting
- Don’t generate Indirect costs

Q: Creation of a website – Other direct costs OR Subcontracting?

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B. Other Direct costs

**Costs of Large Research Infrastructures (LRI)**

= Facilities, resources or services used by researchers to conduct research

May be used also for education or public purposes

Examples:

- Major scientific equipment (or sets of instruments)
- Knowledge-based resources such as collections, archives or scientific data
- e-infrastructures, such as data, computing systems, and communication networks
B. Other Direct costs

Costs of Large Research Infrastructures (LRI)

May be eligible if:

• Total value of LRI ≥ 20 million euros

• Total value of LRI ≥ 75% of the total fixed assets

• Costing methodology is positively ex-ante assessed

• Declare only the portion which corresponds to the duration of the action and the percentage of actual use for the purposes of the action (AUDITABLE)

[Diagram: Capitalised costs + Operating costs]
C. Subcontracting

- Subcontracting costs **always checked diligently** by the EC
- According to **procurement rules** that apply for the beneficiary
- Awarded according to **Best value for money OR Lowest price**
- Transparency, equal treatment and avoid any conflict of interests
- Subcontracting **between beneficiaries NOT allowed**

Q: What about subcontracting to affiliate companies/entities?

Q: What about subcontracting to a relative of mine? (family ties)

Q: Can we identify the subcontractor already in the Proposal / GA?
C. Subcontracting

- Must cover only a **limited part** of the action
- The majority of the work done by the subcontractor(s) must be located in the EU MS or AC
- Tasks and costs mentioned in **Annex 1 and Annex 2**. If not, approval is required and perhaps amendment.
- Specific rules may be set by the Authorising Officer (EC) for subcontracts higher than 60,000 euros

Q: Can we subcontract any tasks of the coordinator?
C. Subcontracting

4.2. Third parties involved in the project (including use of third party resources)

Please complete, for each participant, the following table (or simply state "No third parties involved", if applicable):

| Does the participant plan to subcontract certain tasks (please note that core tasks of the project should not be sub-contracted) | Y/N |
| If yes, please describe and justify the tasks to be subcontracted |
| Does the participant envisage that part of its work is performed by linked third parties<sup>1</sup> | Y/N |
| If yes, please describe the third party, the link of the participant to the third party, and describe and justify the foreseen tasks to be performed by the third party |
| Does the participant envisage the use of contributions in kind provided by third parties (Articles 11 and 12 of the General Model Grant Agreement) | Y/N |
| If yes, please describe the third party and their contributions |

---

<sup>1</sup> A third party that is an affiliated entity or has a legal link to a participant implying a collaboration not limited to the action. (Article 14 of the Model Grant Agreement).
D. Costs for providing financial support to 3rd parties

- Beneficiaries provide EU funding to recipient(s) that are not party to the GA (cascade funding)
- ONLY when foreseen in the Call / Work Programme
- Either in the form of FINANCIAL SUPPORT or in the form of PRIZES. e.g:
  - Financial support to farmers testing a new agricultural technology
  - Awarding research scholarships in the field of the action
- Limited and pre-defined maximum amount per third party (exception if required)
- Criteria for determining the amount of financial support AND the conditions for finally approving to pass the financial support
- Clear and exhaustive list of the types of activities that qualify for financial support for third parties
- ALL described in the proposal
- Best practice: Contract between beneficiary/ies and third party/ies
In-kind contributions by 3rd parties

Costs for activities implemented by 3rd Parties

- 3rd party definition: Any entity which is not a beneficiary

- The beneficiary is responsible towards the EC for the proper implementation of activities by 3rd parties

- Ways of involvement of 3rd Parties (other than Subcontractors and Contractors):
In-kind contributions by 3rd parties

3rd parties providing in-kind contributions against payment

- Seconded personnel, equipment, infrastructure or other non-financial resources
- **Example**: Hospital providing medical equipment/infrastructure to university, ...
- The beneficiary PAYS the 3rd party (the cost is recorded in the accounts of the beneficiary)
- No separate Financial Statement (but costs included in the beneficiary’s Financial Statement)
- Identification of 3rd party and their tasks in Annex I
- Obligation to accept audits and reviews by the EC
- Indirect costs depending on the place of implementing the tasks

Q: Can an entity from the USA be funded as 3rd party?
In-kind contributions by 3rd parties

3rd parties providing in-kind contributions free of charge

- Seconded personnel, equipment, infrastructure or other non-financial resources
- **Example:** Hospital providing medical equipment/ infrastructure to university, civil servant working for beneficiary but paid by Government (Ministry), independent unit created specifically for managing administration of EU projects of a beneficiary, ...
- The beneficiary DOES NOT PAY the 3rd party (the cost is recorded in the accounts of the 3rd party)
- No separate Financial Statement but costs included in the beneficiary’s Financial Statement
- Identification of 3rd party and their tasks in Annex I
- Obligation to accept audits and reviews by the EC
- Indirect costs depending on the place of implementing the tasks
Linked 3\textsuperscript{rd} parties

Linked or affiliated 3\textsuperscript{rd} parties implementing Action tasks

- Affiliated entities and entities with a legal link to a beneficiary
- Established, legal relationship which is pre-existing, broad and not specifically created for the work under the GA (NO ad-hoc collaboration)
  - Example: Parent/subsidiary, holding/subsidiary, associations/members, subsidiary/subsidiary, ...
- The entity performing most of the work should be the one participating as beneficiary, and the other should participate as linked third party
- Identification of LTP and their tasks/amounts in Annex I
- Costs are recorded in LTP accounts
- Submit their own Financial Statement (submitted by the beneficiary in the electronic system)
- Obligation to accept audits and reviews by the EC
- Indirect costs depending on the place of implementing the tasks
## 3rd Parties - Summary

<table>
<thead>
<tr>
<th>Types of third parties</th>
<th>CHARACTERISTICS</th>
<th>Articles</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Does work of the action (Annex 1)</td>
<td>Provides resources or services</td>
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<tr>
<td>Linked third party</td>
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<td>NO</td>
</tr>
<tr>
<td>Subcontractors</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>Third party providing in-kind contributions</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>Contractors</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>Financial support to third parties</td>
<td>Only if allowed in the call</td>
<td>The beneficiaries’ activity consists in providing financial support to the target population</td>
</tr>
</tbody>
</table>

Q: Are we free to choose under which of these options a 3rd party shall participate?
F. Indirect costs

Indirect costs

- 25% of Total Direct costs excluding:
  - Subcontracting
  - Costs of in-kind contributions incurred by 3rd parties outside the beneficiary’s premises
  - Costs of providing financial support to 3rd parties

Exceptions:
- MSC Actions: unit costs (management and indirect)

Q: What about indirect costs of personnel working under a direct contract (“inhouse consultants”) OUTSIDE the premises of the beneficiary due to a teleworking agreement?
G. Special unit costs

Forms of costs

- **Actual costs**
  costs which are real and not estimated or budgeted

- **Unit costs**
  - fixed amount per unit of measure, or
  - amount per unit of measure calculated by the beneficiary in accordance with its usual cost accounting practices for personnel costs

  → *MSC Actions, SME owners, natural persons, average personnel costs, clinical trials...*

- **Flat-rate costs**
  - calculated as a fixed percentage on another form of costs

- **Lump sum costs**
  - fixed amount based on an estimation

  → *SME instr. Ph. 1 feasibility study*
## G. Special unit 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>
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</thead>
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<td>Actual costs</td>
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<tr>
<td>Unit costs</td>
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</tr>
<tr>
<td></td>
<td>- Average personnel costs</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>- SME owners &amp; natural persons without a salary</td>
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<td></td>
<td></td>
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<td>Flat-rate costs</td>
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<td>Lump sum costs</td>
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I. Reimbursement Rates

Q: What about a not-for-profit entity participating in IA as linked third party of a for-profit entity?

The reimbursement rates apply to all forms of costs (actual, unit, lump sums and flat-rates costs) and all budget categories.

- Research & Innovation Actions (RIA)
- Innovation Actions (IA) (not-for-profit entities)
- Coordination & Support Actions (CSA)
- MSC Actions (unit costs) (not COFUND)
- ERC Grants

- Innovation Actions (IA) (for-profit entities)
- SME Instrument phase I (lump sum)
- SME Instrument phase II

100%

70%
Ineligible costs

- Costs for drafting the **Consortium Agreement**
- Depreciation costs for equipment bought before the action’s start (if the equipment has been **fully depreciated**)
- Costs for **preparing**, submitting and negotiating the proposal
- Bank costs charged by the beneficiary’s bank for transfers from the EC
- Currency exchange losses
- **Excessive or reckless expenditure**
- Deductible VAT
- Costs incurred during suspension of the implementation of the action
- Costs declared under another EU or Euratom grant
- ... **(non exhaustive list)**

**Q:** Costs for updating the CA?

**Q:** Costs for bank transfers when the coo transfers payments to partners?

**Q:** What if we drafted our CA after the start of the project?
VAT

- Non-deductible VAT is **ELIGIBLE**
- Deductible VAT is **NOT ELIGIBLE**
- Non-identifiable VAT is **ELIGIBLE**

**Q:** How and when should we prove the “non-deductibility” of VAT?
Budget transfers

Between beneficiaries and cost categories:

**Allowed if:**
- Needed and justified
- Annex I not affected
- May require Amendment
- Total EC contribution not increased (*but different reimbursement rates taken into consideration*)

**Not allowed if:**
- Costs declared as Lump Sum
- Subcontracting costs not foreseen in Annex I (*approval / amendment*)
- Affects significantly Annex I (*approval / amendment*)
- Challenges proper implementation

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Obligation to keep records and other supporting documentation

• Keep records and other supporting evidence and documentation to prove proper implementation and eligibility of costs for 5 years after the payment of the balance (3 for low value grants ≤60.000)

• Digital/ electronic documents acceptable if National Legislation exists allowing it and considering them of equal validity as originals

• Digital/ electronic time sheets acceptable as long as reliable according to EC’s specifications

• No time sheets required for persons working exclusively in one project (with supporting statement by the beneficiary)
Keeping records

Supporting documentation to keep (1):

(for 5 years)

For **ACTUAL** costs:

- Contracts, subcontracts, invoices, time sheets, payslips, ... ALL accounting and financial records
- The beneficiaries' usual cost accounting practices and internal control procedures must enable direct reconciliation between the amounts **declared**, the amounts **recorded** in their accounts and the amounts **stated** in the supporting documentation

For **UNIT** costs:

- Adequate records and other supporting documentation to prove the **number of units** declared
- No need to identify the actual eligible costs covered
Keeping records

Supporting documentation to keep (2):

For **FLAT RATE** costs:
- Adequate records and other supporting documentation to prove the eligibility of the costs to which the flat-rate is applied
- No need to identify the actual eligible costs covered

For **LUMP SUM** costs:
- Adequate records and other supporting documentation to prove that the corresponding tasks or part of the action as described in Annex 1 were implemented properly
- No need to identify the actual eligible costs covered

Q: So when we are funded under Lump-sum we do not need to keep evidence / records of the actual costs?
Reviews and Audits

- **Reviews** on the proper implementation of the action (including assessment of deliverables and reports).
  - May be started from end of PR1 up to two years after the payment of the balance → “review report”

- **Audits** on the proper implementation of the action and compliance with the obligations under the Agreement.
  - May be started from end of PR1 up to two years after the payment of the balance → “draft audit report” and “final audit report”
Reviews and Audits

Audits

• Mainly focused on financial aspects, but may include technical aspects
• Less audits (max 7%), more targeted.
• **By whom**: EU Auditors, external collaborating auditing firms, OLAF, ECA
• **What**: one or more H2020 actions
• **Trigger for audit**:
  • **Sampling** (random selection targeted to a representative sample of beneficiaries)
  • On the grounds of **reasonable doubt** or existence of **risk factors**
• **Extension of the findings (extrapolation)** in case of systematic errors.
Reviews and Audits

Audits

Process:

1. Inform the beneficiary with “Letter of announcement”
2. Request for preliminary documents
3. On the spot audit
4. Request documents/ evidence on the spot
5. Draft audit report
6. 30 days Contradictory procedure: feedback of beneficiary on draft audit report
7. Final audit report and audit closure with “Letter of closure”
8. Implementation of the audit findings by the EC to the beneficiary
Reviews and Audits

Audits

Possible actions by the EU depending on the findings

- Rejection of ineligible costs
- Reduction of the grant
- Recovery of undue amounts
- Administrative and financial penalties
- Suspension of payments
- Suspension of the action implementation
- Termination of the participation of the beneficiary in the grant agreement
- Termination of the grant agreement
- Extension of Audit Findings
Useful links

- Participant Portal
- How to participate
- Reference Documents
  - Grant agreements, contracts and rules of contest
  - Model grant agreements
    - General Grant Agreement
  - Guidance
    - Annotated Model Grant Agreement
- Templates & forms
  - Proposal templates
The End

Thank you for your attention!

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