- Emmanuel Babatunde

Horizon 2020

Introduction to Practical, Contractural and Financial Matters

Horizon 2020

Europe 2020 priorities

International cooperation ↔ ***Shared objectives and principles Common rules, toolkit of funding schemes*** ↔ **European Research Area**

Societal Challenges

- Health, demographic change and wellbeing
- Food security, sustainable agriculture, marine and maritime research and the bioeconomy
- Secure, clean and efficient energy
- Smart, green and integrated transport
- Climate action, Resource Efficiency and Raw Materials
- Inclusive, innovative and secure societies

Industrial Leadership

- Leadership in enabling and industrial technologies (ICT, nano, materials, bio, manufacturing, space)
- Access to risk finance
- Innovation in SMEs

Excellent Science

- European Research Council
- Future and Emerging Technologies
- Marie Curie actions on skills, training and career development
- Research infrastructures

Simplified access ↔ **Dissemination & knowledge transfer**

Supporting the objectives:

European Institute for Innovation and Technology

Joint Research Centre

Structure

- Practical matters
- Grant preparation & Grant Agreement
- Contractual obligations during project
- Finance and Costings – details
- Guidance

Practical matters

- H2020 implementation bodies

Management of Grants

- In **FP7**, some grants were managed by executive agencies rather than centrally by the European Commission (e.g. ERC by European Research Council Executive Agency ERCEA, MCA by Research Executive Agency REA)
- Under **Horizon 2020** more grants are “outsourced” to additional or existing agencies
- **Commission DGs** continue to manage the policy of the programme including the development of the Strategic Programme, work programmes
- **Executive agencies** prepare the guidance documentation for the calls and will organise the evaluation, setting up the Grant Agreements and the management and reporting of projects
- We understand there are plans for setting up a **Common Support Centre** to have greater consistency in terms of interpretation of the rules

Implementation of H2020

- **ERCEA** continues to manage ERC grants
- **REA** takes on FET Open, Food, Inclusive Societies and Secure Societies Challenges; Marie Skłodowska-Curie Actions; ICT and Space within the Leadership in Industrial Technologies; Widening Participation, and Science with and for Society.
- **Executive Agency for Small and Medium-sized Enterprises (EASME)** Responsibility for: Innovation in SMEs, SME instrument, Fast Track to Innovation Pilot, Climate Challenge, IEE part of the Energy Challenge.
- **Innovation and Networks Executive Agency (INEA)** Implementation of the Energy and Transport Challenges.

Practical Matters

- The Research and Innovation Participant Portal

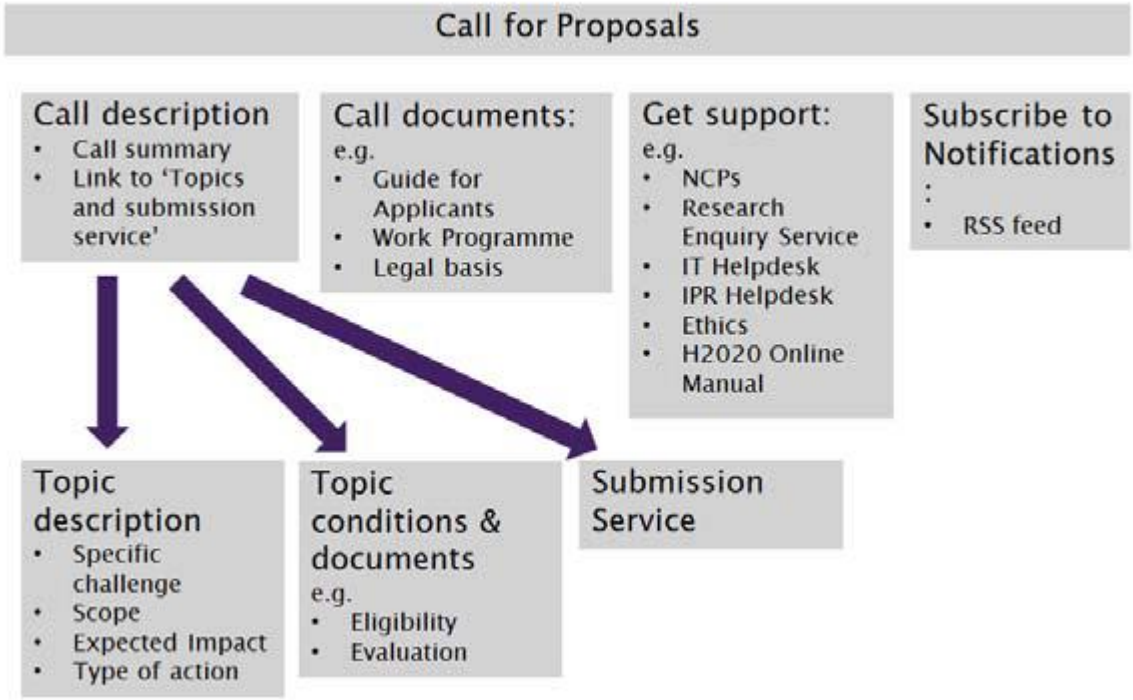
H2020 – Participant Portal

- Main entry point for EU research and innovation funding
  - Information on calls and tenders (search tools)
  - Updates (links to additional sources of information about topics and calls, such as video feeds from information days on the Societal Challenges, or Q&A documents released by the relevant Directorate General of the European Commission; call statistics on submissions)
- Support and guidance (Online Manual, FAQ, Helpdesk)
- Reference documents (e.g. Annotated Model Grant Agreement)
- Proposal submission tool (paperless process)
- Grant Agreement Preparation
- Project Management, including communication with project officers
- Experts' area
- https://ec.europa.eu/research/participants/portal/desktop/en/home.html

The Participant Portal at a Glance

- https://ec.europa.eu/research/participants/portal/desktop/en/home.html
- Funding Opportunities
- Calls for Proposals
- Search

Finding Information: Researcher



Find Information

- Online Manual
- Reference Documents
- Support & helpdesk
- Registering and Login (ECAS)

Practical matters

- Legal entity registration

Participant Identification Code (PIC)

- Any legal entity from any country in the world can participate in Horizon 2020 actions
- Participating entities need to have a unique 9-digit Participant Identification Code (PIC number) at point of application
- To check for an existing PIC number or to advise a new participant on registration see:

http://ec.europa.eu/research/participants/portal/desktop/en/organisations/register.html#

Validation of a legal Entity

- Registrations of organisations new to Horizon 2020 need to be validated prior to signing of a Grant Agreement
- Organisation submits official supporting documents via the Participant Portal / ‘My organisations’
- See “Guide on beneficiary registration, validation and financial viability check” of Horizon 2020 Grants Manual at:
- http://ec.europa.eu/research/participants/data/ref/h2020/grants_manual/lev/h2020-guide-lev_en.pdf

Financial viability check always, if:

- Coordinator of a project with EU funding of **EUR 500,000** unless the coordinator is:
  - a public body, **higher or secondary education establishment**, or an international organisation or body whose participation is guaranteed by the government of an EU country or associated
- In other cases, the financial viability will be checked only if there are justified grounds to **doubt** it (e.g. financial problems with ongoing grants)
- Valid for 18 months
- For an early indication, an organisation can test their financial viability on the Participant Portal with the 'financial capacity self-check tool'

Legal Entity Appointed Representatives (LEAR)

- After validation of organisation, requested to appoint a LEAR
- All participating organisations / entities require a LEAR
- Only the LEAR can update organisational information via the Participant Portal
- Can view and download all documents relating to the organisation's legal and financial status
- Has an overview of all the projects and proposals the organisation is involved in
- Authorises people to sign grant agreements as 'legal signatories' (LSIGN) and to sign financial statements (Forms C) as 'financial signatories (FSIGN)

Practical matters

- Types of Funding Actions

Types of Action

Research & Innovation Actions **Innovation Actions**	'Traditional' multi-national, multi-partner collaborative projects
Coordination and Support Actions	'Traditional' multi-national, multi-partner support actions
▸ SME Instrument	SMEs only – research can be subcontracted to HEIs
▸ Fast track to innovation instrument	Pilot in 2015. No more than 5 partners, bottom-up, collaborative
▸ ERA-NET Cofund	Research programmes run by network of national funders in specific field part funded by EU from Horizon 2020. Issue research calls on their own funding regimes
▸ Prizes	All or nothing specific competitive calls – content varies

Also, but seperately….

- **European Research Council**
  - (usually) mono-beneficiary, 100% + 25% indirect costs
  - Bottom-up research projects
  - Excellence only evaluation criterion
  - Complies with Horizon 2020 funding model but technically a separate Work Programme
- **Marie Skłodowska-Curie Actions**
  - ITN / RISE – multi-beneficiary
  - Individual Fellowships – mono-beneficiary
  - All financed through series of pre-determined allowances based on unit costs (some subject to country coefficient calculations). Most funding paid to researchers on the grants (ESRs / ERs)
  - Balance to institutions to contribute to expenses of the project
  - Bottom up research (and training and development) projects
  - Note also Cofund: EC part-funds (with host institution) fellowship / doctoral programme

Research and Innovation Action

- Description
  - “Action primarily consisting of activities aiming to establish new knowledge and/or to explore the feasibility of a new or improved technology, product, process, service or solution”
- Funding rate: 100% + 25% indirect cost flat rate
- Multi-beneficiary
  - Minimum: three legal entities each of which established in a different Member State or associated country
- Respond to challenges set in the Societal challenges or Industrial Leadership pillars

Innovation Action

- Description
  - “Action primarily consisting of activities directly aiming at producing plans and arrangements or designs for new, altered or improved products, processes or services. For this purpose they may include prototyping, testing, demonstrating, piloting, largescale product validation and market replication”
- Funding rate: 70% (100% for non-profit organisations) + 25% indirect cost flat rate
- Multi-beneficiary
  - Minimum: three legal entities each of which established in a different Member State or associated country

Cordination and Support Action

- Description
  - “Action consisting primarily of accompanying measures such as standardisation, dissemination, awareness-raising and communication, networking, coordination or support services, policy dialogues and mutual learning exercises and studies, including design studies for new infrastructure”
- Funding: 100% + 25% indirect cost flat rate
- Mono or Multi-beneficiary
  - Minimum one legal entity established in a Member State or Associated Country

Prizes

- Payment for delivery of a result: Commission will set challenge
- The goal will be to **go beyond the current state of the art** in research and innovation.
- Non-prescriptive
- Within Societal Challenges and LEIT programme
- Prize can be either
  - "first past the post" – awarded to the first one to solve the problem - or
  - "best in class" – awarded to the best solution in a given timescale
- Prizes awarded on the basis of results regardless of costs involved in achieving the result so no financial checks
- Will either be managed directly by Commission or outsourced through work-programme funding

Fast track to Innovation pilot

- Proposals for innovation actions
- Bottom-up within remit of Societal challenges and LEIT
- Continuously open call (with its first cut-off date in 2015)
- Three cut-off dates per year to evaluate proposals
- Time to grant shall not exceed six months
- Consortia of no more than 5 legal entities – any legal entity can participate but industry participation to be mandatory
- Grants of up to €3m
- Further details in due course – under development

SME Instrument

- Only SMEs can apply and hold grants based on lump sums
- SMEs can subcontract research work
- Bottom-up within remit of each of the Societal Challenges and enabling technologies
- Continuously open call with four cut-offs per year
- Three stage instrument
- Combination of demonstration activities (testing, prototyping, …), market replication encouraging the involvement of end users or potential clients, and research
- Note: **this is not the same as the R4SME initiative in FP7**: In Horizon 2020 ONLY SMEs can be a beneficiary on the grant. Universities can participate ONLY as subcontractors
- Further information available from the Enterprise Europe Network - http://www.enterprise-europe.net/

Practical matters

- Eligible participants

Who is eligible for funding?

- 28 EU Member States (Croatia joined in 2013)
  - Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom**
  - Overseas Countries and Territories (OCT) linked to the Member States
- Associated Countries
- Third countries (funding will depend on GDP)

Associated Countries

- Association Agreements already in place or under way:
  - Ukraine, Israel, Norway, Iceland, Turkey, Former Yugoslav Republic of Macedonia (FYROM), Serbia, Albania, Montenegro, Bosnia & Herzegovina, Republic of Moldova, Faroe Islands.
- Armenia is discussing potential association
- Switzerland’s association talks are on-going (partial association from 15 September 2014: Pillar 1 + SEWP + Euratom)
- N.B. Liechtenstein is not associated to Horizon 2020 and is currently considered a third country!

Third Countries

- Eligibility for funding:
  - Only less developed economies (countries mentioned in Annex A to the WP) are **automatically eligible** for EU funding.
  - Developed and developing economies, such as the USA, Canada, Australia, New Zealand, BRIC, Mexico, etc. **no longer automatically qualify for EU funding**.
- Funding may be provided in the following cases:
- Under the existence of a bilateral agreement specifying such funding i.e. EU-US agreement for Societal Challenge 1
- When such funding is specifically mentioned in the call text or topic i.e. INT-1-2014 or INT-2-2014
- When **Commission** deems participation of an entity essential for the success of the project due to its expertise, access to data, etc.

Participation options

- Coordinator = responsible for leading the project, managing the project finances and representing the Consortium vis-à-vis the Commission (NB in mono-beneficiary grants awardee has this role)
- Partner = responsible for delivering its part of the project and managing its share of the funding
- Third parties:
  - Sub-contractor = contracted by one of the beneficiaries to carry out limited and specialised tasks that are not 'core' project tasks
- Other third party = making available its resources to a beneficiary or in very specific cases carrying out parts of the work on behalf of a beneficiary

Coordinator of Partner

- **Coordinator**
  - Prepares and submits proposal
  - Links with the Commission and the consortium members
  - Monitors compliance on the project
  - Financial distribution, record keeping, reports to the Commission
  - Organises scientific and project management meetings
  - Maintains the Consortium agreement

- **Partner**
  - Works on their work package(s)
  - Submits reports to co-ordinator
  - Contributes to *"a smooth and successful implementation of the grant"* – i.e. supports the coordinator in their obligations

What is expected of a Coordinator

- Administers EU financing, makes payments to partners
- Needs to keep record of how the financing is distributed
- Reviews reports to be submitted to the Commission
- Monitors compliance of partners with Grant Agreement
- Is the only point of contact for the Commission
- Responsible for management of grant – amendments, extensions, non-performance of partners …
- NB: None of these tasks can be subcontracted!

Grant preparation & Grant Agreement

- Shorter time to grant
- agreement: ramifications

Grant «Negotiation»

- Promise of "light negotiation"
- FP7 = Grant Negotiation Horizon 2020 = Grant Preparation
- "Light negotiation" means that while some changes can still be made to the proposal text before it becomes the final Annex I of the Grant Agreement, no more major changes will be suggested from the Commission at negotiation stage.
- Evaluators will no longer be required to make suggestions for major changes: they will mark proposals down to reflect weaknesses.
- Proposals therefore "ready to go" when awarded – **including budgets!**
- All tasks included in the proposal become "action tasks" in Annex 1 of grant agreement
- Unless specifically mentioned that a task will be subcontracted (or carried out by a third party) it will be assumed that it won't be (important to bear in mind)

Grant is awarded an estimated (Maximum) budget

- Calculated on the basis of the estimated eligible costs submitted by the consortium in the application and annexed to the GA (Annex 2)
- Contains:
  - estimated eligible costs by type, by beneficiary
  - estimated costs of the beneficiaries not receiving EU funding
- System automatically calculates indirect costs
- Note: important to consider likelihood of subcontracting – description of work becomes action tasks …
- Ensure all potential types of costs in budget

Grant Preparation & Grant Agreement

- Grant Agreement

Grant Agreement in Horizon 2020

- One document*
- Choices of text and blanks to complete through whole document depending on circumstances of grant
- Terms and conditions therefore part of master document and specific to grant
- Document electronic – system will indicate where options to be chosen
- System will generate mastersheet showing options chosen
- Electronic signature

* One multi-beneficiary GA and one mono-beneficiary GA – other models for ERC, Marie Curie Actions, SME instrument, ERANETs …

H2020 Model Grant Agreement - Annexes

- Annex 1: Description of Action
- Annex 2: Estimated budget for the action
- Annex 3: Accession forms
- Annex 4: Model financial statements
- Annex 5: Model for the certificate on the financial statements
- Annex 6: Model for the certificate on the methodology

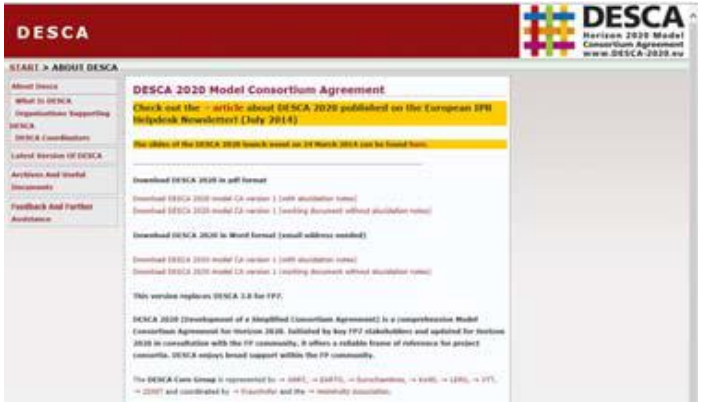
Grant preparation & Grant Agreement

- **The Consortium Agreement**

- Mandatory unless specified in call for proposals
- If mandatory, required before signature of the Grant Agreement (5+3 months)
- Internal organisation of the consortium, including:
  - Clear distribution of tasks
  - Financial arrangements e.g. pre-financing
  - Settlement of disputes e.g. non-performance
  - Additional Intellectual Property arrangements e.g. licensing
  - Liability and confidentiality
- NOT signed by the Commission
- Usually drafted and disseminated by coordinator

DESCA 2020

- DESCA 2020 Model Consortium Agreement launched 24 March 2014
- Designed for Research and Innovation Actions/Innovation Actions
- DESCA Core Group: ANRT, EARTO, Eurochambres, KoWi, LERU, VTT, ZENIT and coordinated by Fraunhofer and Helmholtz Association
- Expertise provided through DESCA Consultation Group of more than 160 experts
- Versions available:
  - pdf/Word
  - with/without elucidation notes
- www.desca-2020.eu



Consortium Agreement in MSCA

- Consortium agreements recommended for some schemes (mandatory for European Industrial Doctorates)
- To include:
  - Employment status of recruited researchers
  - IPR
  - Supervision arrangements
  - Also: Distribution of ‘institutional unit costs’ amongst participants

Contractural obligations during project

- Obligations related to grant administration
- Obligation to provide information upon request
- Obligation to keep information up to date and to inform about events and circumstances likely to affect the Agreement
- Obligation to keep records and other supporting documentation
  - Up to five years after the action (optional: three years for low value grants)
    - scientific and technical implementation
    - costs declared
- Obligation to submit deliverables
- Obligation to submit reports (in the language of the GA)

Obligations related to Grant administration

- **Reporting**
  - Coordinator submits the technical and financial reports, including requests for payment
  - Reports must be created using the forms and templates provided in the electronic exchange system
- **Periodic reports:**
  - Technical
  - Financial
- **Final report**
  - Final technical report
  - Final financial report

Intellectual Property Rights (IPR)

- IPR Agreements

DOCUMENT	SIGNATURE *WHEN*	PARTIES *WHO*	CONTENT *WHAT*
Grant Agreement	*End* of negotiations phase	Beneficiaries and the European Commission	Establishes the rights and obligations of beneficiaries with regard to the EU *IP rules are not negotiable*
Consortium Agreement	*During* negotiations phase	Project Coordinator and Other Beneficiaries	Sets out the legal basis for the share of rights, obligations and responsibilities among beneficiaries *IP rules need to be agreed upon by partners*

Management of IPR

- Obligation to take measures to:
  - Implement the Commission Recommendation on the management of intellectual property in knowledge transfer activities
  - Principles set out in Points 1 and 2 of the Code of Practice annexed to the Commission Recommendation on the management of intellectual property in knowledge transfer activities

Management of IPR

- Agreement on background:
  - The beneficiaries must identify and agree (in writing) on the **background** for the action.
  - 'Background' means any data, know-how or information — whatever its form or nature (tangible or intangible), including any rights such as intellectual property rights — that is held by the beneficiaries before they acceded to the Agreement, and is needed to implement the action or exploit the results.
- Ownership of results:
  - Results are owned by the beneficiary that generates them.
  - 'Results' means any (tangible or intangible) output of the action such as data, knowledge or information — whatever its form or nature, whether it can be protected or not — that is generated in the action, as well as any rights attached to it, including intellectual property rights.

Access Rights

- Access rights - **licences** and **user rights** given by the owners to project participants or third parties.
- Consortium Agreement -
  - Determine the procedure regarding the **written request for access rights**
  - Set out a procedure regarding the possible **waiving of access rights** by written confirmation;
  - Set out whether access rights confer the entitlement to **grant sublicences** (in principle access rights are granted without the right to sub-license)
  - Provide for **more favourable access rights** than those foreseen in the GA

H2020 IPR

- For further information see:
- Horizon 2020 IPR Helpdesk (advice, events, articles, webinars)
- www.iprhelpdesk.eu/sites/default/files/newsdocuments/How_to_manage_IP_in_H2020_at_the_grant_preparation_stage.pdf

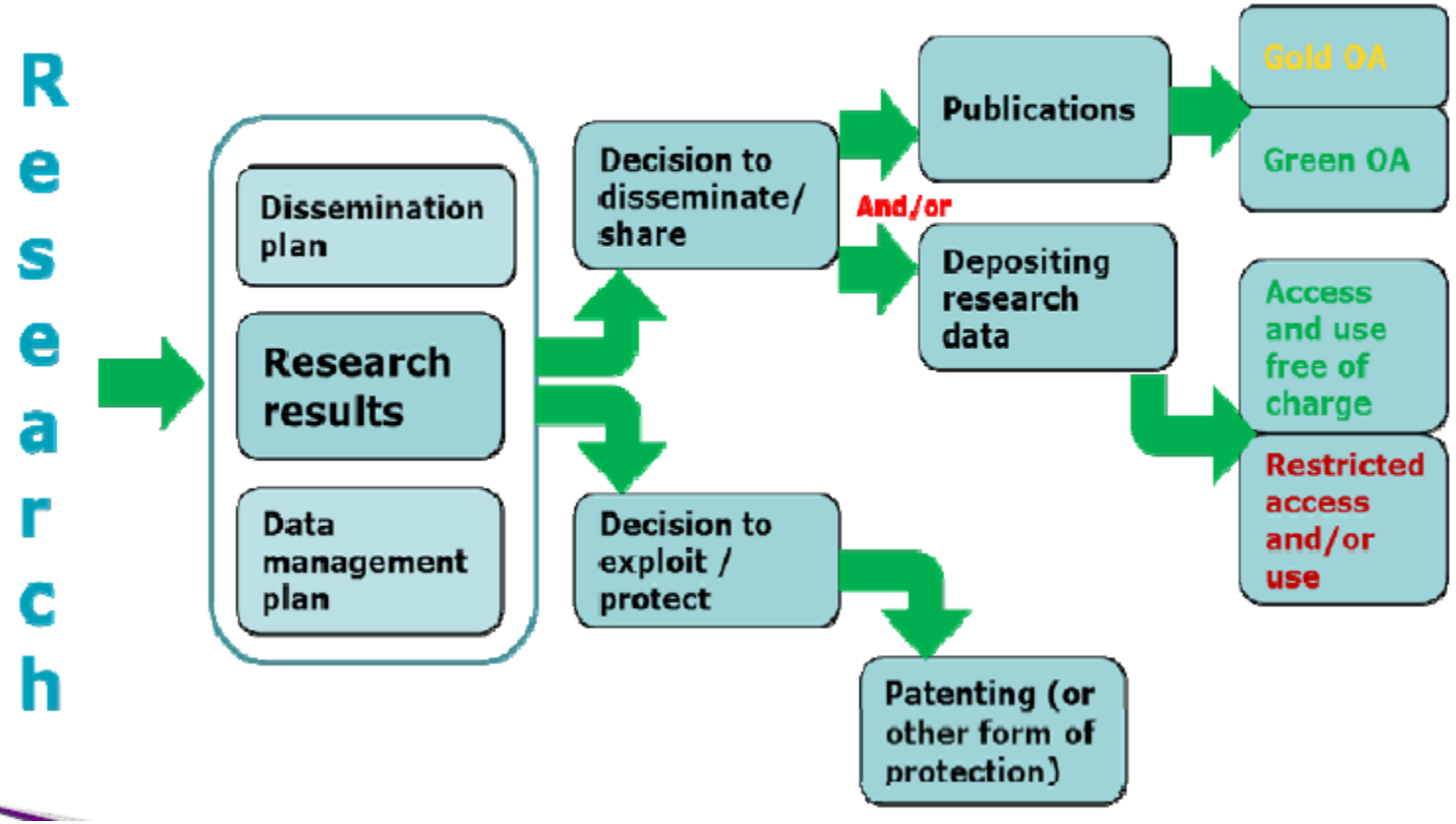
- www.iprhelpdesk.eu

Dissemination and Open Access

- Dissemination of Results and Open Access

- General obligation to disseminate results 'openly'
- Open access to scientific publications
  - Open access (free of charge, online access for any user) to alpeer-reviewed scientific publications relating to its results.
- Open access to research data

Dissemination and Exploitation



Open Access: Publications in H2020

OA Pilot in FP7

- 'Best effort' to provide OA
- 7 areas
- Peer-reviewed publications
- Allowed embargos: 6/12 months

OA mandate in H2020

- Obligation to provide OA
- All areas
- Peer-reviewed publications
- Allowed embargos: 6/12 months
- Plus: 'pilot' for research data

Green OA

OA publishing costs

- Eligible while project runs

Gold OA

OA publishing costs

- Eligibile while project runs
- Plus (tbc): possibility to cover later publications, under conditions to define

Open Research Data Pilot

- New to Horizon 2020
- Scope:
  - Future and Emerging Technologies
  - Research Infrastructures – e-Infrastructures
  - LEIT – ICT
  - SC4: Energy – part Smart cities and communities
  - SC5: Climate Action – except raw materials
  - SC6: Societies
  - Science with and for Society
- Projects may opt out (under certain conditions) or opt in (if outside of the areas listed above)

Open Research Data Pilot

- Types of data:
  - "data, including associated metadata, needed to validate the results presented in scientific publications […];
  - other data [e.g. curated data or raw data], including associated metadata, as specified and within the deadlines laid down in the "data management plan"
- Data management section evaluated at proposal stage
- Detailed Data Management Plan – deliverable within six months of project (template provided)
- Requirements:
  - Step 1: deposit research data into a repository
  - Step 2: take measures to enable third parties to access, mine, exploit, reproduce and disseminate (e.g. through Creative Commons Licence)
  - Also: provide information about tools and instruments at disposal of beneficiaries and necessary for validating results
- Costs relating to pilot implementation are eligible

Data management

- Questions at proposal stage:
  - What types of data will the project generate/collect?
  - What standards will be used?
  - How will this data be exploited and/or shared/made accessible for verification and re-use? If data cannot be made available, explain why.
  - How will this data be curated and preserved?

  - https://www.openaire.eu/

Ethics

- Ethics is a consideration for ***all*** EU funded projects in all
- research domains
- Ethics are integral to all research, from beginning to end
- Considering ethics:
  - Ensures it is within the legal framework
  - Enhances the quality of research
- Strong connection between research ethics and human rights
- Ethics process for Horizon 2020 – **Ethics Appraisal Procedure**

Legal basis – H2020

- **Art 19: Ethical Principles *(mentioned throughout, but in particular)***
- *“All the research and innovation activities carried out under Horizon 2020 shall comply with ethical principles and relevant national, Union and international legislation, including the Charter of Fundamental Rights of the European Union and the European Convention on Human Rights and its Supplementary Protocols.”*

- http://ec.europa.eu/research/participants/data/ref/h2020/legal_basis/fp/h2020-eu-establact_en.pdf

Ethics Appraisal - Steps

Activity	Who?	When?	How?
Ethics Self-assessment	Applicant	Application phase	Consideration of ethical issues of the proposal
Ethics Pre-screening/Screening	Ethics experts	Evaluation phase	Review of application material
Ethics Assessment (for proposals involving hESC or raising serious ethical issues: severe intervention on humans)	Ethics experts	Evaluation/ Grant preparation phase	Review of application material
Ethics Check/Audit	Ethics experts	Implementation phase	Review of project deliverables/interview with applicants

Ethics - Resources

- Ethics Issues Table template http://ec.europa.eu/research/participants/data/ref/h2020/grants_manual/hi/ethics/ethics-eit_en.pdf
- How to complete your ethics self-assessment http://ec.europa.eu/research/participants/data/ref/h2020/grants_manual/hi/ethics/h2020_hi_ethics-self-assess_en.pdf
- Horizon 2020 Online Manual – Ethics http://ec.europa.eu/research/participants/docs/h2020-funding-guide/cross-cutting-issues/ethics_en.htm
- Ethics for researchers http://ec.europa.eu/research/participants/data/ref/fp7/89888/ethics-for-researchers_en.pdf
- Strategy to minimize ethical misconduct http://ec.europa.eu/research/participants/data/ref/fp7/89797/improper-use_en.pdf
- Textbook on ethics in research http://ec.europa.eu/research/science-society/document_library/pdf_06/textbook-on-ethics-report_en.pdf

Coffee break

Finance and Costings

- Reimbursement rates and overall eligibility rules

Reimbursement rates

- Direct eligible costs:
  - 100% for Research and Innovation Actions (RIA) and Coordination and Support Actions (CSA)
  - 70% for innovation projects (100% for non-profit organisations including universities)
- Indirect costs (overheads):
  - Single flat rate of 25%
- **No need to identify the costs covered or provide supporting documentation**
- (MSCA fixed unit cost allowances)

Types of Costs

Actual costs	Costs actually incurred, identifiable, verifiable, recorded in accounts
Unit costs	• Fixed amount determined by Commission (MSCA)
Flat rates	• A percentage to be calculated on the eligible cost (i.e. Indirect costs = 25% Direct costs
Lump sum	• A global amount to cover one or several cost categories (e.g. Phase 1 of SME instrument)

Actual Costs - Criteria

- Actual costs must be:
  - Actually incurred by the beneficiary
  - Incurred during the action
  - Indicated in the estimated budget set out in Annex 2
  - Incurred in connection with the action as described in nnex 1 and necessary for its implementation
  - Identifiable and verifiable - 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
  - Reasonable, justified and must comply with the principle of sound financial management
  - And must comply with the applicable national law on taxes, labour and social security

Ineligible Costs

- Costs related to return on capital;
  - Debt and debt service charges;
  - Provisions for future losses or debts;
  - Interest owed;
  - Doubtful debts;
  - Currency exchange losses (big problem for the UK!)
  - Bank costs charged by the beneficiary's bank for transfers from the commission/agency
  - Excessive or reckless expenditure;
  - Deductible VAT (non-recoverable VAT **is** eligible)
  - Costs incurred during suspension of the action

VAT

- VAT not deductible (recoverable elsewhere) is now an eligible cost.

- “*Grant in aid paid to fund research does not constitute consideration for any supplies by the person receiving the funding to the person paying it. In these circumstances, research that is wholly grant funded is not a business activity for VAT purposes and is not within the scope of VAT. Any VAT incurred in the course of such funded research is not deductible.*”

Budget Categories

- For collaborative projects these are:
  - direct personnel costs;
  - subcontracting;
  - other direct costs;
  - indirect costs, and
  - specific categories of costs (usually only where Commission has defined the use of unit costs for specific activities)

- Beneficiaries may transfer budget **among themselves** or between **budget categories** without the need of a notification to the Commission/Agency or an amendment

- No transfers allowed:
  - to a form of costs that has not been foreseen in Annex 2
  - in case of any amounts set out as lump sums
  - in case of costs relating to subcontracts not provided for in Annex 1 – but see later

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 funding (actual costs, unit costs, etc)	**YES** if no budget was foreseen for the "form" receiving the transfer
New subcontracts	**YES** (strongly advised)

Finance and Costings

- Budget categories – eligibility Rules

Eligible Costs - personnel

- **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 (or equivalent appointing act).

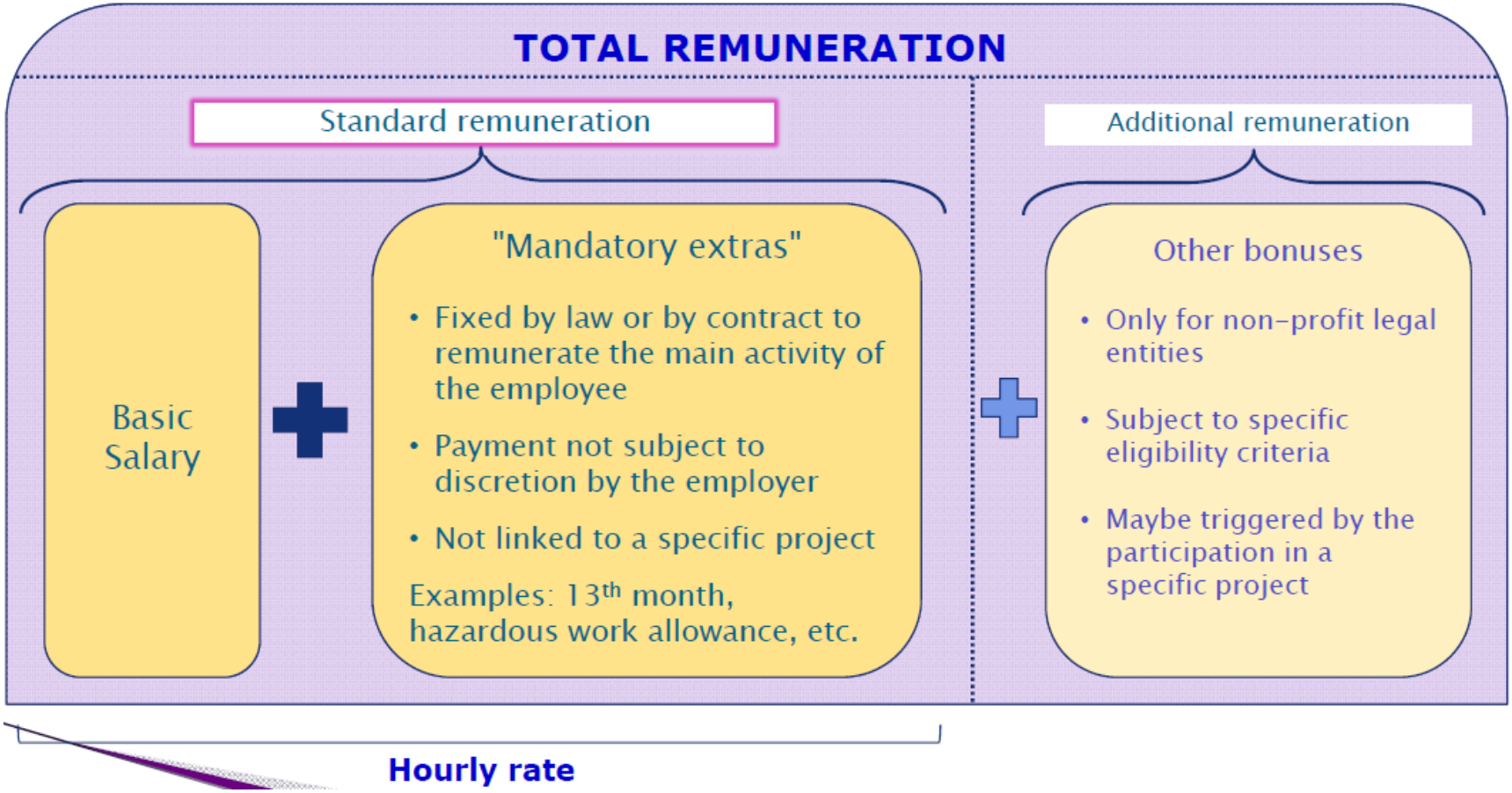
Eligible Costs - Personnel

Two methods of calculating personnel costs:

- **Actual personnel costs:** Calculation method defined in model MGA

- **Unit Costs:**
  - Calculated by beneficiary in accordance to usual accounting practice (Average personnel costs) or
  - Fixed by the Commission (for owners of SME beneficiaries without a salary and natural persons without a salary)

Actual Personnel Costs: Structure



Actual Personnel Cost =

Hours worked for the project x Hourly rate

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

➔ 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.

Calculation of Annual Productive Hours

Three possible options:

- **Option 1: 1720 hours**
- **Option 2: Individual annual productive hours: Formula: annual workable hours + overtime – absences**
- **Option 3: Standard annual productive hours: According to the beneficiary's usual accounting practices; Minimum threshold: annual productive hours ≥ 90 % of the standard workable hours**

Annual Workable Hours

- 'Annual workable hours' means the period during which the personnel must be working, at the employer's disposal and carrying out his/her activity or duties under the employment contract, applicable collective labour agreement or national working time legislation.
- This is different from annual productive hours! – time actually spent working on the project.
- If the contract (or applicable collective labour agreement or national working time legislation) does not allow to determine the annual workable hours, the option cannot be used

Option 2 example: Individual annual productive hours

*The **individual annual workable hours** would therefore be:*

365 days — 104 days (Saturdays and Sundays) — 22 days (annual leave) — 8 days (public holidays) = 231 days x 8 hours per day = 1 848 hours

***Individual annual productive hours** for Researcher X:*

*Annual working hours **= 1 848***

+ overtime (hours) = 29

- annual sick leave (5 days x 8 hours) = 40

➔ *individual annual productive hours for Researcher X = 1 837*

Research Centre Z may use 1 837 as individual annual productive hours for this researcher.

Option 3 example: Workable hours

- Full-time researchers hired by Research Centre Z:
  - have employment contracts stating they work 8 hours per day, Monday – Friday.
  - National legislation provides for 22 working days of annual leave plus 8 days public holidays.
  - Applicable collective labour agreement adds 3 extra days annual leave.

- **Workable hours** therefore **= 365 days - 104** days (weekends) – 22 days (annual leave) – 8 days (public holidays) – 3 days (collective agreement) = 228 days* 8 hours per day = 1824 hours.

Option 3 example: Standard annual productive hours

- **Workable hours** = 1824 hours.

- According to Z's usual accounting practices **standard productive hours** are calculated as follows**:**

- Annual working days = 228
- Subtracted are:
  - sick leave (3 days)
  - general training days (4 days)
  - other unproductive days (9 days)
- Annual productive days= 212 days
- **Annual productive hours** = 212 * 8 hours per day = 1696.

- 1696 = more than 90% annual workable hours (1824*90% = 1642) and is therefore fine. If less, 1642 would have to be applied.

Last Closed Financial Year

- 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.
- No need for accounts to be audited!
- If accounts close in stages, the **beneficiary must decide** at what stage it can use the financial data for Horizon 2020 calculations, normally after no changes can be made.

Timesheets

- No longer required for personnel spending 100% of their time on the project but compulsory for the rest of staff working on the project.
- Only hours spent on the project must be reported
- ‘Declaration of exclusivity’ can be used for personnel working exclusively on the project.
- Templates of timesheets and the declaration can be found in the Annotated MGA.

Eligible costs - others

- **Other direct costs**
  - No major changes
- **Depreciation costs of equipment and infrastructure**
  - No major changes
- **Large infrastructure costs**
  - Only applies to very large infrastructures that meet the specific criteria set by Commission
  - Allows for claiming of operating and capitalised costs under certain conditions.
  - Requires agreement during negotiation

Eligible Costs - Overheads

- **Indirect costs:**
  - Automatically calculated at the flat-rate of 25% of the eligible direct costs from which the following are excluded:
- costs of subcontracting
- costs of in-kind contributions provided by third parties which are not used on the beneficiary's premises

Contracts necessary for implementation

- For the purchase of goods, works or services
- Ensure best value for money and avoid any conflict of interests
- Contracts to purchase goods, works, service – usually limited in cost & scope.
- **Article 10 MGA**
- Examples: contracts for a computer; **certificate on financial statements**; translation; publication of brochures; logistics support; IPR consultants / agents

Finance & Costings

- Payments and Reporting

Payments

- Pre-financing payment
  - Provides the beneficiaries with a float but remains the property of the EU until the payment of the balance.
  - Amount corresponding to 5% of the maximum grant amount is retained by the Commission/Agency from the pre-financing payment and transferred into the ‘Guarantee Fund’
- MGA does not indicate % of final grant available for prefinancing. **Constrained by EU budget issues.**
- Grant agreement will specify amount
- Made within 30 days, either from the entry into force of the Agreement, or from 10 days before the starting date of the action, whichever is the latest.

Payments

- Interim payments
  - Reimburse the eligible costs incurred for the implementation of the action during the corresponding reporting periods
  - Paid by the Commission/Agency to the coordinator within 90 days from receiving the periodic report
- Payment of the balance
  - Reimburses the remaining part of the eligible costs incurred by the beneficiaries for the implementation of the action.
  - Distributed among beneficiaries by the coordinator

	Time-to-Pay	From
One Pre-financing	**30** days	The latest between starting date and entry into force
→ 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)		
Payment of the Balance	**90** days	From reception of final reports

Financial Reporting: exchange rate

- Statements must be in the euro
- Beneficiaries with accounting established in a currency other than the euro must convert the costs **recorded in their accounts** into euro, at the average of the daily exchange rates published in the C series of the Official Journal of the European Union, calculated over the corresponding reporting period.

Commission advise use of:

http://www.ecb.europa.eu/stats/exchange/eurofxref/html/index.en.html

Certificate on the Financial Statement

- Different requirement to FP7:
  - FP7: required by a beneficiary in each reporting period where cumulative spend since last statement exceeded €375k
  - Horizon 2020: required by a beneficiary **only at the end of a project** and when total spend (excluding indirect costs / unit costs / lump sums) exceeds €325k
  - Now claimed under Article 10 – Contracts for goods, works and services!

Audits

- No audit strategy for Horizon 2020 available until second semester of 2015
- First (Commission) audits unlikely to happen before early 2016
- Commission will create Common Audit Service (CAS)
- Max 7% of beneficiaries in Horizon 2020 will be audited.
- Commission audits can be started no later than 2 years after the payment of the balance by the Commission
- Promise of broader acceptance of participants’ accounting practices
- Other audits (OLAF, CoA) still possible

Further Guidance

- Horizon 2020 Online Manual
- Horizon 2020 Grants Manual (Reference documents section of the PP)
- Guides for Applicants (MSCA, ERC)
- Research Enquiry Service Helpdesk
- IT Helpdesk
- Annotated Model Grant Agreement

Project Budgeting

- Project budgeting
- Eligible costs
- Simplifications and changes in H2020
- Estimating your project budget
- MSCA budgets

Project Budgeting

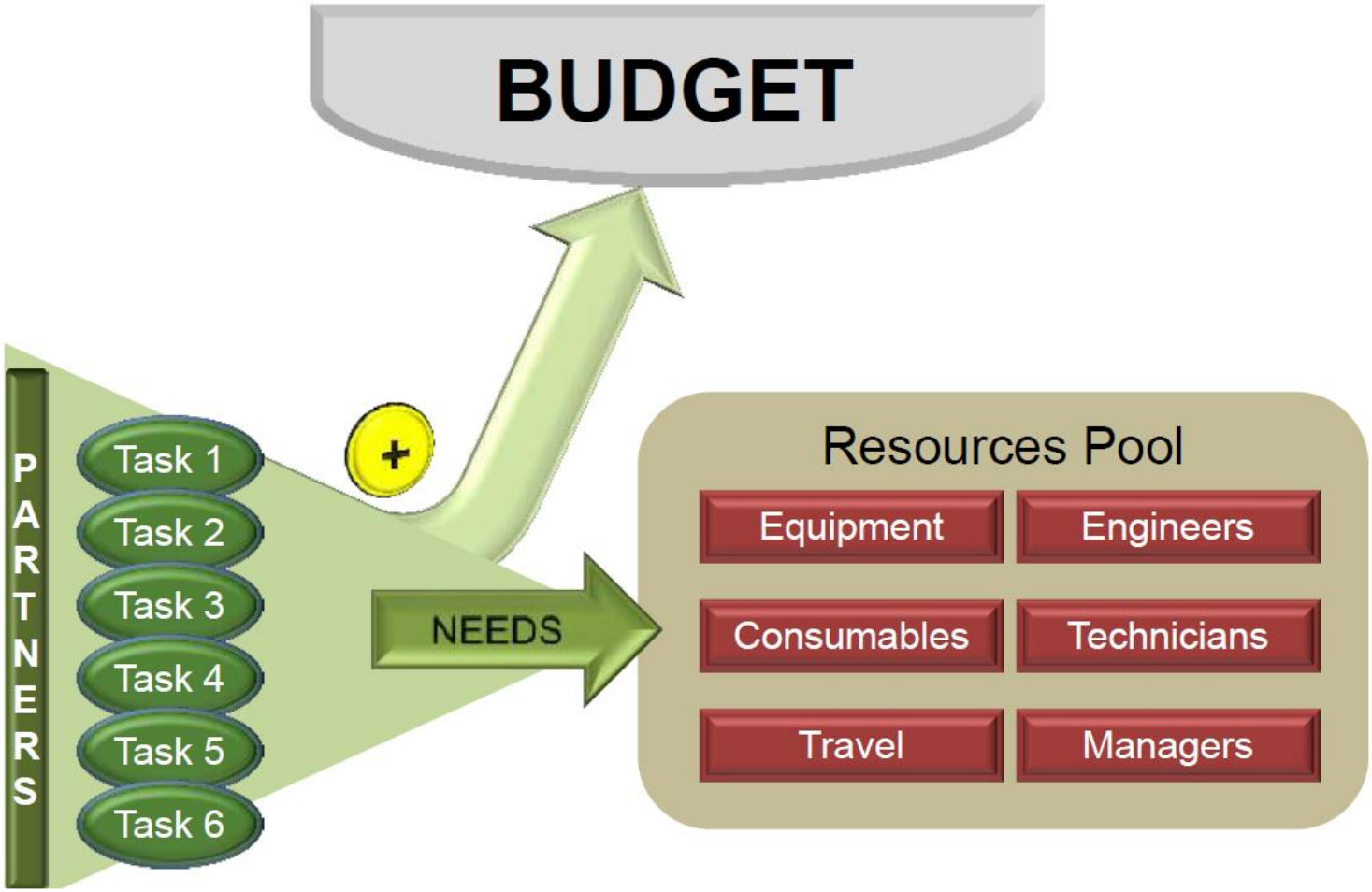
- At the proposal development stage budgeting includes:
  - Cost estimation (for an individual)
  - Project budget development (for the consortium)

Why is proper budgeting important?

- Why not just allocate an equal share of the maximum allowable EU grant to each partner?
- Why not just assign an arbitrary budget to each partner – keeping the largest portion for yourself of course?
- Partners will be paid based on what their actual costs are for work that they are contracted to do in the Description of Work
- Partners who run out of money lose motivation fast and STOP working!
- BOTTOM UP COSTING is not only Good Practice but it is a SENSIBLE starting point too

What is Bottom-up Costing

- This method looks at the individual components that will make up the cost of the project and adds them together
- Partners develop their own cost estimates based on their understanding of what they will be doing on the project
- This is a much more detailed and accurate way to estimate the cost of a project


BUDGET
PARTNERS
Task 1
Task 2
Task 3
Task 4
Task 5
Task 6
+
NEEDS
Resources Pool
Equipment
Engineers
Consumables
Technicians
Travel
Managers

- Best Approach to Budgeting
- The main downside to Bottom-up costing is that partners may be inclined to pad out their figures so that they have excess money to work with
- Therefore a TOP DOWN

element is also needed

- Final estimates are generated

through an iterative approach

based on what the project

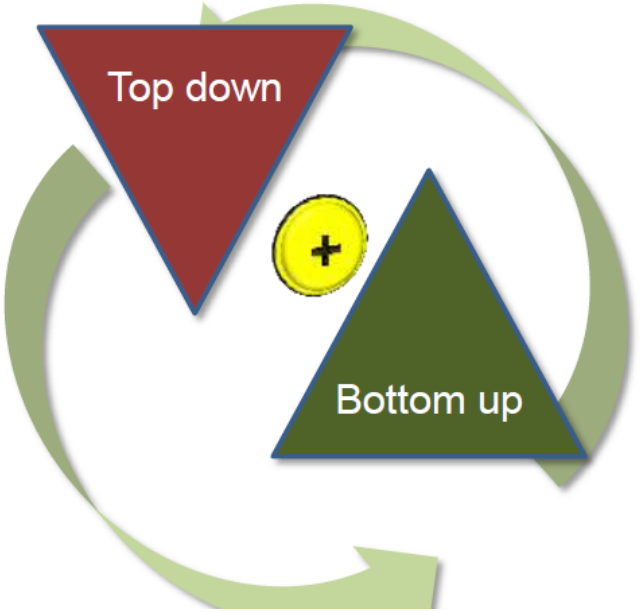
can afford

Best Approach to Budgeting

The main downside to Bottom-up costing is that partners may be inclined to pad out their figures so that they have excess money to work with

Therefore a TOP DOWN element is also needed

Final estimates are generated through an iterative approach based on what the project can afford



FP7 - Project Budget Form

Participant short name	Funding rate for RTD %	Indirect costs method	RTD/Innovation		Demonstration (50% reimbursement)		Management (100% reimbursement)		Other (100% reimbursement)		Total costs	Requested EU contribution
			Direct costs	Indirect costs	Direct costs	Indirect costs	Direct costs	Indirect costs	Direct costs	Indirect costs		
University A	75	60%	531.250	318.750			175.000	105.000	156.250	93.750	1.380.000	1.167.500
Foundation B	50	20%	625.000	125.000	58.334	11.666			144.896	28.979	993.875	771.375
University C	75	Simplified	481.000	240.500	26.667	13.333			133.334	66.666	961.500	761.125
SME D	75	60%	281.250	168.750	140.625	84.375			43.750	26.250	745.000	520.000
Enterprise E	50	Real	270.270	229.730	162.162	137.838			54.054	45.946	900.000	500.000
SME F	75	Real	390.000	310.000	61.289	48.711			111.433	88.567	1.010.000	780.000
		Total	2.578.770	1.392.730	449.077	295.923	175.000	105.000	643.717	350.158	5.990.375	4.500.000

Various Funding Rates for Partners

Various Indirect Rates

Various Rates within Project

H2020 - Project Budget Form

Participant short name	Estimated eligible costs		Total costs	Requested EU contribution (100%)
	Direct costs	Indirect costs (25%)		
University A	862.500	215.625,00	1.078.125,00	1.078.125,00
Foundation B	828.230	207.057,50	1.035.287,50	1.035.287,50
University C	641.001	160.250,25	801.251,25	801.251,25
SME D	465.625	116.406,25	582.031,25	582.031,25
Enterprise E	486.486	121.621,50	608.107,50	608.107,50
SME F	562.722	140.680,50	703.402,50	703.402,50
Total	3.846.564	961.641,00	4.808.205,00	4.808.205,00

Co

	Estimated Eligible Costs (per budget category)											EU Contribution		
	A. Direct personnel costs				B. Direct costs of subcontracting	*{C. Direct costs of fin. support}*	D. Other direct costs	E. Indirect costs	*{F. Costs of ..}*		Total Costs	Reimbursement rate %	Maximum EU contribution ***	Maximum grant amount
	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 Cost of large research infrastructure		*{F.1 Costs of..}***	*{F.2 Costs of..}***				
Form of costs ****	Actual	Unit 1	Unit 2 xx Euro/hour		Actual	Actual	Actual	Flat rate 3 25%	Unit 4 xx Euro/hour	Unit 5				
	(a)	Total (b)	No hours	Total ©	(d)	(e)	(f)	(g)	No units	Total (h1)	Total (h2)	(i)	(j)	(k)	(l)
Beneficiary 1															
Linked third party 1a															
Linked third party 1b															
...															
Total beneficiary 1															
Beneficiary 2															
Linked third party 2a															
Linked third party 2b															
...															
Total beneficiary 2															
...															
Total consortium															

H2020 - Project Budget Estimate Form

	Estimated Eligible Costs (per budget category)					EU Contribution	
	A. Direct personnel costs	B. Direct costs of subcontracting	D. Other direct costs	E. Indirect costs	Total Costs	Reimbursement rate %	Maximum EU contribution ***
Form of costs ****	Actual	Actual	Actual	Flat rate 3 25%			
	(a)	(d)	(f)	(g)	(i)	(j)	(k)
Total beneficiary 1							
Total beneficiary 2							
Total consortium							

Easier Budget Administration under H2020

- Simpler reimbursement of direct costs, with a broader acceptance of the beneficiaries' usual accounting practices:
- The possibility of using unit personnel costs (average personnel costs) in accordance to the beneficiaries´ usual cost accounting practices; (CoMAV in FP7)
- Abolition of time-recording obligations for staff working exclusively on an EU project, and simplification of timerecording requirements for other staff by providing a clear and basic set of minimum conditions;
- Indirect costs covered by a single flat-rate applied to the direct costs; removing a major source of financial errors and complexity;

Higher Flexibility under H2020

- The Horizon 2020 rules provide higher flexibility to adapt ongoing projects to changing needs and circumstances

An example from an EU-funded project might look like:

- 'A researcher from Foundation B, a key person in the project, starts working for University D, and this change needs to be reflected in the composition of the consortium for the EU-funded project. This means an amendment to the Grant Agreement in order to add University D as beneficiary, and possibly terminate the participation of Foundation B'
- Under FP7, the coordinator of the project would face complex adjustments due to the differences in funding rates and indirect cost methods applied to the Foundation and the University.
- Handling these modifications under Horizon 2020 will be straightforward due to the single funding rate and indirect costs flat rate

How the funding actually works

- Pre-financing (upon entry into force) for the whole duration
- 5% of total project value goes into the guarantee fund
- Interim payments corresponding to the amount accepted for each reporting period (EC contribution = eligible cost justified & accepted * funding rate)
- Gross pre-financing + interim payments < 90% of max EC contribution
- Final payment + reimbursement of contribution to the guarantee fund

An example of a typical payment profile

EXAMPLE: Project duration 3 years, EC funding €3m

- Pre-financing = 1.6 €m (160% of annual budget)
  (of which 0.15 €m goes to the Guarantee Fund)
- 1st Interim payment, 1 €m accepted, payment 1€m
- 2nd Interim payment, 1 €m accepted, payment 0.1 €m
  (retention of 0.3 €m which is 10% of project eligible cost!)
- Final payment, 1 €m accepted, 0.45 €m paid
  (retention of 0.3 €m plus 0.15 €m Guarantee Fund returned)

How the funding actually works

- The coordinator and partners may agree to distribute the pre-financing in stages to further minimise financial risk to the project
- The Consortium Agreement MUST address this aspect
- The Reporting intervals have been getting longer 18 months is more typical and the pre-financing may vary. It will be specified in the Grant Agreement.

Estimating your budget

- Cost to the employer for staff working on the project
  - Staff grade
  - Actual salary for that grade
  - Taxes paid
  - Pension contributions
  - Other

Personnel Costs

For Hourly Paid Staff

No of productive hours per month for staff member

- The productive hours have to be clearly justified and must match the underlying time recording system

$$= \frac{\textit{Working days per year} \times \textit{No. hours worked per day}}{12}$$

Personnel Costs

Typical Figures:

Working days

= Total days in year – Weekends – Statutory holidays – Holidays – Sick leave allowance

365 – 105 – 9 – 20 – 6 = **225**

Personnel Costs

Calculating working hours per month:

Working days - 225

Working hours/day – 7.5

Working hours per year – 1,687.5 **OR (1,720)**

$$\text{Working Hours/month} \quad \frac{1{,}687.5}{12} = \mathbf{140.63}$$

Personnel Costs

Calculating salary costs per annum:

Staff Grade A: Management

Gross Salary: €85,000.00

Employment taxes (13%) = €11,050.00

Pension Contribution of Employer (20%) = €17,000.00

Total salary cost per annum = €113,050.00

Personnel Costs

Calculating personnel cost per month:

Staff Grade A: Management

Total salary cost per annum = €113,050.00

Working hours per annum = 1,687.5

Hourly cost = €66.99

Cost per month = hourly cost x hours worked in a month

= €66.99 x 140.63

= **€9,421**

Personnel Costs

Calculating average personnel cost per month:

Staff grade A: Management - €9,421

Time on project 12 person months = €113,052

Staff grade B: Technologist - €8,100

Time on project 24 person months = €194,400

Staff grade C: Technician - €6,750

Time on project 12 person months = €81,000

Total cost = €388,452 for 48 person months

Average cost per person month = $\frac{388,452}{48}$ = €8,092.75

Personnel Costs

Calculating average labour cost per month:

Do not forget potential salary raises!!!

Assuming an increase of 2.5% per annum on a 3 yr project gives:

Year 1	Year 2	Year 3	**Ave**
€8,093	€8,295	€8,503	**€8,295**

Travel and Subsistence

Travel:

Based on actual cost of travel event and normal working practices within participant.

First Class Rail and Economy Air is normal practice

For proposal, work out/estimate the number of meetings needed per participant per activity and multiply by a standard rate.

Eg. €300 per return flight per person

Travel and Subsistence

Subsistence:

Includes – Accommodation and Subsistence (meals, taxi etc)

2 Choices:

Actual Costs – MUST keep all receipts

Flat Rate – No need to keep subsistence receipts

For Proposal: Best to estimate based on Flat Rates

Typically use: €100 per night for accommodation

€100 per full day for subsistence

Travel and Subsistence

For a typical project meeting:

No of meeting days – 1, arrive the night before, leave the evening after

One return plane fare

One night at hotel

One days subsistence

Gives: €300 Flight – (Estimated flat rate)
€100 Hotel – (1 x €100)
€100 Subsistence (1 x €100)

Total = €500 per meeting

Travel and Subsistence

Per Partner build up as follows:

Partner 1:	10 Management Meetings – Gives T&S of €5,000
	15 RTD Meetings – Gives T&S of €7,500
Partner 2:	5 Management Meetings - Gives T&S of €2,500
	20 RTD Meetings - Gives T&S of €10,000

Consumables

Per Partner build up as follows:

Estimate the consumables required per WP/Task

Typical consumables:

- Materials
- Equipment specifically for the project that can not be used elsewhere (Eg; strain gauges, prototype tooling etc)
- Computer software licenses

Make sure these are not covered under your normal ‘Indirect Costs’

Equipment

Per Partner build up as follows:

Estimate the Equipment required per WP/Task

- New Purchases – To be amortised over the project duration
- Existing Equipment - Can also be claimed if not already written off in the accounting system

Equipment

Capital Equipment – Amortised over 10 years

Bought at beginning of 2nd year of a 4 year project

Used 50% of the time for project work alone for the remainder of the project

Equipment Cost - €250,000

Allowable project cost is – 3 years at 50% of the time used on the project

Therefore 3 years amortised cost – €75,000 at 50% usage = €37,500

Overheads – Indirect Costs

Basic Rule for H2020 Projects:

Flat Rate – 25%

These apply to **all** direct costs

except Subcontract and Third Party costs

Overheads – Indirect Costs

Costs connected with infrastructures and the general operation of the organisation such as:

- Hiring or depreciation of buildings and plant
- Water/gas/electricity
- Maintenance
- Insurance
- Supplies and petty office equipment
- Communication and connection costs
- Postage

+ Costs connected with horizontal services such as:

- Administrative and financial management
- Human resources
- Training
- Legal advice
- Documentation, etc.

Subcontracting

Basic Rule for H2020 Projects

- Should not be for project critical activities

Key Information from Partners

- Average Person Month Cost – For staff typically working on project
- Estimate of person months per task
- Estimate of consumables per task
- Estimate of travel days with overnight stays
- Equipment to be used/purchased
- Subcontracting

MSCA - Budgets

MSCA	Researcher Unit Costs person/month			Institutional Unit Cost person/month	
	Living allowance (*CCC)	Mobility allowance	Family allowance	Research, training and networking	Management and indirect costs
ITN	3,110	600	500	1,800	1,200
IF	4,650	600	500	800	650
RISE	2,000			1,800	700

Q&A